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LOMBARD

A way out of the UK telecoms duopoly

Page 15

World News

Kenya police clash with rioters for second day

Heavily armed police clashed with rioters in Kenya for the second day as crowds of protesters continued to stone cars and demand an end to the one-party rule of President Daniel arap Moi. Page 16

Radioactive leak

Spain's largest and newest nuclear power plant at Tarragona was shut down after engineers detected a leak of radioactive steam from its cooling system.

Tourists injured

Thirty-nine British tourists were hurt when a coach carrying 66 passengers from Scotland to Spain overturned on a French motorway near the southeastern town of Mâcon.

Iran initiative

Iranian Foreign Minister Ali Akbar Velayati will visit Kuwait today for the first time since the Gulf War for talks about improving links.

Bulgarian crisis

Bulgaria's governing Socialist Party has been plunged into crisis following the resignation of President Petur Mladenov. Page 4

Silk road reopens

China has reopened its fabled silk road tourist route into Pakistan through the Khunjerab Pass after a two-month delay which Pakistani tour operators said was caused by a bloody Moslem revolt in China's far west.

Extremists held

South African police have arrested a number of white extremists after a series of bomb attacks and threats to scuttle apartheid reforms. They refused to give details.

Menagerie restored

A Moscow court ordered the return of confiscated property, including her Mercedes, dacha, and a collection of stuffed animals, to the daughter of disgraced Soviet leader Leonid Brezhnev. Page 16

Greek-US pact

Greece and the US concluded a new eight-year defence agreement for two American bases on the island of Crete. Two others near Athens will be shut. Page 4

Crash victims saved

Four people who spent three days huddled in the wreckage of a light aircraft in dense Papua New Guinea rainforest were rescued. Eight others died in the crash.

Euro-unity boost

Almost 90 per cent of Europeans are in favour of moves towards greater unity, an opinion poll shows. Page 4

Long-march defector

A Chinese man defected to South Korea across one of the world's most tightly-sealed borders and the demilitarised zone after walking through North Korea from China.

TV host dies

Bill Cullen, the dean of US television game show hosts, died of cancer at 70. His 35 network credits included such popular series as "The Price is Right."

Revenge of the bulls

Three people were seriously gored and 32 slightly injured in the second running of the bulls at the week-long San Fermin festival in Pamplona - made famous by author Ernest Hemingway.

Wimbledon glory

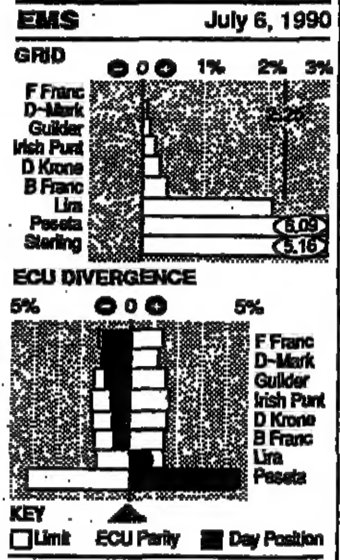
Stefan Edberg of Sweden beat defending champion Boris Becker in five sets, 6-2,6-2, 3-6,3-6,6-4, to take his second Wimbledon men's singles title. On Saturday, Martina Navratilova beat Zina Garrison 6-4, 6-1 to win the women's singles for the ninth time.

Business Summary

BfG of West Germany to reconsider job cuts plan

Plans to cut more than one third of the staff of BfG, West Germany's sixth largest commercial bank, are being reconsidered. The bank said only that a new strategy had been approved that would involve "personnel measures" but the bank trades union, said a strategic review planned to cut 2,700 jobs, out of a total of 7,340, and close 60 of the bank's 240 branches. Page 20

EUROPEAN Monetary System: High yielding currencies – the Spanish peseta and Italian lira – remained the strongest members of the system last week. The weakest placed French franc was around its floor against the peseta, but the Bank of France did not intervene and was able to remain relaxed with the D-Mark also weak, and only slightly above the franc, on nervousness following German monetary union.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

SOVIET UNION has decided to cut its oil exports, including shipments to Comecon countries, by 7m tonnes, Mr Nikolai Ryzhkov, the Soviet Prime Minister, announced at the Communist Party congress in Moscow.

NIGERIA has finalised two projects in the oil and gas sectors with investments totalling $1.3bn. Page 2

ILVA, Italian state steel company, and Falck, leader in private sector steel, will eliminate overlapping activities in most important restructuring exercise for more than a decade between Italian public and private steel companies. Page 20

MZ, East German motorcycle manufacturer with sizeable exports to the west, is to restructure and develop new product ranges under a five-year contract with a UK technical services and engineering group. Page 4

CITICORP, largest US commercial banking group, is expected shortly to unveil a big management reorganisation. Page 20

PERU's new government says a group of friendly countries is ready to help with the $1.8bn the country needs as bridging credit. Page 3

BANQUE INTERNATIONALE à Luxembourg will become main banking outlet in London for Pargesa Group after it sells its 63 per cent stake in Henry Ansbacher merchant banking group. Page 20

FORD'S lead in UK fleet car market was cut dramatically in first half of this year. Page 10

Farm trade discord likely to overshadow summit talks

By Peter Riddell and Peter Norman, in Houston

DISCORD over agricultural trade threatens to overshadow tacit agreement to disagree on direct economic aid for the Soviet Union as the 16th world economic summit opens in Houston today.

The leaders of the world's seven biggest industrial democracies and the European Commission were last night converging on Houston for a meeting that will proclaim the success of western values and the free market economic system after a year that has seen the collapse of communism in eastern Europe.

But the meeting will also bring to the fore differences about how to complete the Uruguay Round of multilateral trade talks on schedule by the end of this year. In preliminary weekend talks among those leaders that had already arrived in Houston, it became clear that the US, Japan, West Germany, France, Britain, Canada, Italy and the European Commission no longer seek to have a common view on many issues.

Drawing a direct parallel between Japan's desire "as a sovereign nation" to resume bilateral lending to China and West Germany's decision to guarantee credits to the Soviet Union, Mr Brent Scowcroft, President George Bush's national security adviser, said such differences were "good rather than bad."

US President George Bush (left) and Japanese Prime Minister Toshiki Kaifu meet in Houston yesterday before the Economic Summit of Industrialised Nations

Mr Brian Mulroney, the Canadian Prime Minister, said the summit should offer a significant response to Soviet needs. He said that "all of us could play a different role." Talking of the scope for technical assistance and economic and trade co-operation, he said Canada was prepared to provide concessional trade finance and credits.

President Mikhail Gorbachev's positive response to last week's Nato summit in London, helped to defuse a looming dispute among the seven over assistance for the Soviet Union. The Soviet leader wrote

Summit package, Page 6; Continued on Page 16

Gorbachev warns Party will split

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev warned at the weekend that conservatives were set to "bury or split" his ruling Communist Party, after he faced an angry confrontation with provincial party bosses at the party congress.

Once again, he was forced to use all his personal authority and mastery of procedure to prevent the congress passing votes of no confidence on each of his colleagues in the Politburo – although there were signs yesterday that the exercise might backfire on him.

At the same time he is facing an open challenge from Mr Yegor Ligachev, his greatest conservative rival and number two in the hierarchy, who is now bidding to recover his job as party ideology chief.

Mr Ligachev's return to the top of the leadership, possibly as deputy general secretary, would be the most dramatic confirmation yet that the party has swung behind communist conservatives, and would threaten Mr Gorbachev with becoming a prisoner of the party bureaucracy.

In contrast, virtually all the leading members of the Soviet government in the Politburo – including Mr Eduard Shevardnadze, the Foreign Minister, General Vladimir Kryuchkov, head of the KGB, Marshal Dmitri Yazov, the Minister of Defence – and reformers, like Mr Alexander Yakovlev and Mr Vadim Medvedev, have announced their intention to quit the party leadership.

That means there is a growing likelihood that the Communist Party and the Government will be completely separate bodies, with substantially differing policies, and with only Mr Gorbachev himself seeking to straddle the two.

His angry meeting with the full-time party secretaries of city and district committees was described by Izvestia, the government newspaper, as "a full-scale offensive against perestroika.

"They showed their total non-acceptance of (Mr Gorbachev's) policy of change and demanded that he make an about-turn to what they called Andropov's course to restore order," the newspaper said.

And in a separate commentary, it warned that "only a miracle can bring the congress to a full accord.

" Only a referendum will really show where Communists of the country would like to go – to the left or to the right.

"If their opinion disagrees with that of congress delegates, they may respond by quitting the Communist Party."

Mr Gorbachev's confrontation with the full congress came on Saturday, after the delegates demanded the right to pass judgement on each member of the ruling Politburo.

The Soviet leader immediately suspended the session, declaring: "If you want to split the party, if you want to bury it, then you are going about it the right way. I think the time has come to think . . . and think hard." When they returned, he bounced through a proposal to vote on the performance of the leadership altogether.

Even then, there were many delegates determined to condemn it as "unsatisfactory." Meanwhile, Mr Ligachev stepped up his bid for the conservative mantle of the congress, denouncing private property, any switch to "free market relations," any removal of party organisations from the Red Army, the militia and the

Continued on Page 16

Albanian police seal off diplomatic quarter in Tirana

By Judy Dempsey, East European Correspondent, in London

ALBANIAN police yesterday sealed off the diplomatic quarter of Tirana, the capital, to more would-be asylum seekers, after President Ramiz Alia, fighting for his political survival, dismissed several hardline Politburo members and unveiled more reforms.

His move came as western diplomats, the Albanian authorities and Mr Perez de Cuellar, the United Nations Secretary General, were involved in talks over the weekend to try to break the week-long deadlock over the 5,000 people camped out in several embassies.

Diplomats have described the conditions in the embassies as appalling, with a growing threat of epidemics.

Mr Alia, speaking at a special session of the central committee of the ruling Albanian Party of Labour over the weekend, warned that "changes cannot be made in a day." He added: "We approved a law about giving passports to all citizens who want them." He also promised new electoral law.

Mr Perez, who visited Albania in May, appointed Mr Staffan di Mistura, a Swedish UN diplomat as his special envoy. Mr Perez said he had sent Mr di Mistura to Tirana for a two-day visit to obtain first-hand information on the situation.

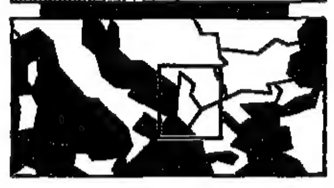
Mr Hans Dietrich Genscher, the West German Foreign Minister who has close ties with Albania following the restoration of diplomatic relations between both countries in late 1987, warned that he was becoming impatient with the stalemate.

"The situation in our embassy, and in other embassies as well, has become intolerable," he told West German television.

More than 3,000 Albanians have entered the embassy compound and buildings. Despite several attempts by Bonn, Albania has continued to refuse permission for a special relief plane to land in Tirana.

Diplomats said the embassies were in desperate need of water, food and medical supplies.

They said the stalemate could be resolved only if all the 5,000 Albanians were allowed to leave. However, Mr Alia clearly wants to prevent further waves of emigration which could lead to a loss of skilled labour as he seeks to introduce cautious reforms.



Last year, East Germans had West German support when they sought emigration to the west through seeking refuge in the West German embassies in Budapest and Prague. However, few countries appear willing to open the floodgates to what could amount to many thousands of Albanians.

Mr Alia's speech to the central committee had to contend with these issues as well as the hardline opposition. There are those "forces which seek to block our development," Mr Alia said.

"We may be poor. No doubt. We have our difficulties and shortcomings, but foreigners have never resolved the worries of an Albania," – an impassioned reference to the country's independence, gained in the 1920s.

Mr Alia managed to push through personnel changes including the dismissal of two hardliners, Mr Simon Stefani as Interior Minister and Mr Prokop Murra as Defence Minister, and changes in the central committee secretariat.

However, in a warning about the pace of change, Mr Alia spoke of "bitter experiences in other countries . . . otherwise we could fall into dangerous spontaneity and irreparable anarchy."

This was a reference to Romania which since the overthrow last December of President Nicolae Ceausescu, has swung between mob rule and authoritarianism.

Walesa criticises MPs, Page 3; Bulgaria's rulers in crisis, Page 4

US plans to cut telephone call prices and reduce $2.5bn deficit

By Hugo Dixon in London

US Government proposals to cut the prices of international telephone calls and bring down the country's $2.5bn annual deficit in overseas calls are to be unveiled later this week by the Federal Communications Commission, the US telecommunications regulatory body.

Measures for changing the basis on which US and foreign telephone companies share the revenue from international calls will be presented at an open meeting of the commission in Washington on Thursday.

The US move to tackle international call prices, which follows the launch of inquiries by the European Commission and the UK's Office of Telecommunications, is important because the country accounts for about 15 per cent of the world's international calls.

An investigation by the Financial Times earlier this year showed that consumers across the world were being overcharged more than $10bn a year for international calls because of cartel practices between the world's telephone companies.

A US government official, who preferred not to be named, said there was a gathering sense of outrage at the FCC and a belief that the US was being "ripped off." He said the US wanted to see fair play.

US concern focuses on an obscure accounting rate system which determines how the revenue from international calls is shared between the world's telephone companies.

The system, which operates under the auspices of the Geneva-based International Telegraph and Telephone Consultative Committee, penalises any country which cuts its international prices by passing over to foreign telephone companies a larger share of the revenue.

The US has borne the brunt of this system because telephone calls from the US to foreign destinations are on average 30 per cent cheaper than calls in the opposite direction. In the past 30 years the US deficit on international calls has increased from $37m in 1970 to an estimated $2.5bn in 1989.

The accounting rate system makes it difficult for US telephone companies – such as American Telephone & Telegraph, MCI and US Sprint – to make further cuts in international call prices, even though they are making substantial profits out of the business.

Although international prices from the US are cheaper than in most countries, they are still four times domestic long-distance call prices – something which the FCC believes is no longer justified by costs.

According to the FCC, the cost per minute for using a transatlantic cable fell from $2.53 in 1956 to four cents in 1988. Details of the FCC's proposals have yet to be disclosed, but Mr Henry Goldberg, a Washington telecommunications lawyer, said: "I think it is going to be fairly significant."

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THE MONDAY INTERVIEW

Sir Leon Brittan, European Competition Commissioner, not only enjoys his job, but gives every sign of doing it well. On the economic right of the left of centre Commission, he has nevertheless scored far more wins than losses. Page 34

FT SURVEYS THIS WEEK

Today: JAPAN

Buoyant economic growth may not help the Asian superpower find a comfortable role for itself in the world

Separate section.

TUESDAY: **The Bahamas:** paradise is not quite lost in the islands where the two economic lynch-pins, financial services and tourism, are losing business to Caribbean neighbours.

WEDNESDAY: **The Water Industry:** in the UK, the sector aims to bring the quality of its product into line with European Community standards.

FRIDAY: **Financial and Professional Services in Birmingham and the Midlands:** decade of growing confidence.

Matiba seeks to rise above tribalism

Julian Ozanne profiles the leader of Kenya's opposition movement

AS angry rioters tore through the streets of Nairobi at the weekend the name of one man was on everybody's lips: Kenneth Matiba, the 58-year-old *de facto* leader of the opposition to President Daniel arap Moi's one-party government in Kenya.

Mr Matiba was detained last week by security police four days before he was to have addressed a rally on the merits of a multi-party democracy.

The rally, at Kamukunji, an open area near the city centre, turned into a riot on Saturday. It was the violent climax of a four-month campaign for political pluralism.

That campaign has been led by Mr Matiba, the only cabinet minister to resign from Mr Moi's government. Now, in the notorious Hola prison camp, where conditions are appalling and temperatures are sweltering, Mr Matiba will be reflecting on the political martyrdom which has been bestowed upon him.

Like former President Jomo Kenyatta, who lead the campaign against British colonialism in the 1950s from his imprisonment at Lodwar, Mr Matiba, also from the Kikuyu, the biggest single tribe, has had his role in Kenyan politics enhanced by the behaviour of the authorities.

He maintains that he has been edged reluctantly into a political confrontation with the Government. In a Financial Times interview the day before his arrest, he declared that government intransigence and intolerance intolerance had forced a showdown.

"We started just asking questions about democracy and the economy and where our country was going," he said. "But they have attacked my home, injured my wife, taken away our passports, harassed and intimidated us, denied us the right to express our opinions and meet with our lawyers, smeared our names and made us to fear for our lives. By their actions they have created a mass political movement for change which is now irreversible."

During the interview Mr Matiba repeatedly stressed his commitment to peaceful and lawful change, and his fears that blood would be shed at the Kamukunji rally.

Mr Matiba new seems to be in the front line. But when he resigned from the cabinet in December 1988 over what he called "blatant ballot rigging" during the party elections in his Kiharu constituency, it appeared he was set to retreat gracefully into the political wilderness.

He put to good use his combination of business acumen as a former managing director of Kenya Breweries and civil service experience as a permanent secretary in the Ministry of Education.

Mr Matiba concentrated on his successful tourist hotel group and exported fresh cut flowers to Europe. He spent more time with his family regularly attending the theatres and nightclubs where his daughter Susan, a young lawyer, performed as a singer and actress.

But, as the Government started cracking down on political critics shortly after the still unsolved murder of Dr Robert Ouko, former Foreign Minister, he was drawn back into politics.

With several other members of the Kikuyu tribe, he was detained briefly in February, his passport was confiscated and the Government ordered a 24 hour surveillance on his movements.

Last month his home was attacked by thugs with clubs, machetes and guns who seriously injured his wife and daughter. Mr Matiba, who believed the attack was a government assassination attempt, said the following day: "If the incident was meant to scare I will not be scared. I have no intention of doing anything but continuing to ask questions."

His political manifesto stressed multi-party politics and a free-market economy. It called for the repeal of the 1982 constitutional amendment which made Kenya a *de jure* one-party state. It criticised government corruption, particularly in the Post Office, ports and state marketing boards; condemned tribal patronage in public service appointments; and called for an end to interference with freedom of association. It also pointed to the mismanagement of state-owned corporations and rising unemployment.

The Government's reaction was intemperate. Mr Matiba was branded by government ministers as a tribalist, a neo-colonialist, a donkey, a hyena and a traitor. President Moi vowed he would hunt the advocates of multi-party politics down "like rats".

The only charge that really seemed to stick was tribalism, and it remained Mr Matiba's Achilles heel until his detention. He is a wealthy businessman and the Kikuyu tribe, which dominated Kenya until Mr Moi's succession in 1978, has been increasingly marginalised economically and politically in favour of other tribes, particularly the Kalenjin, Mr Moi's tribe.

It was thus inevitable detractors would paint his campaign as a Kikuyu bid to recapture their privileged access to power. But Mr Matiba stressed he was building a national non-tribal movement and that argued that the one-party system was more guilty of tribalism, through government patronage, than a multi-party system would ever be.

Before his arrest he was in negotiation with other tribal leaders, especially Mr Oginga Odinga, former vice president and effectively leader of the Luo tribe, to build a joint campaign. His detention without charge and the events of the weekend will have enhanced Mr Matiba's national appeal.

Matiba: in prison

Nigeria takes step towards democracy

THOUSANDS of delegates chose party leaders at meetings in Nigeria's 21 states at the weekend, as part of the military government's plan to return Africa's most populous nation to democracy by 1992, Reuter reports from Lagos.

Military officers watched appointed administrators supervise voting for state executives of the two government-created parties, the welfarist Social Democratic Party (SDP) and the right-wing National Republican Convention (NRC), national radio reported.

Riot police were on hand as candidates for chairmanships and other posts arrived at the various sites accompanied by drumming, dancing supporters.

The military has laid down strict rules to try to end the electoral fraud and violence, and religious and ethnic bigotry which have dogged Nigeria since it became independent from Britain in 1960.

Elected national executives are due to take control of both parties after conventions at the end of July.

They are to contest local government elections in December, followed by state polls next year and federal polls in 1992.

Lagos concludes $1.3bn oil and gas investment deals

By William Keeling in Lagos

TWO projects in the Nigerian oil and gas sectors with investments totalling $1.3bn (£750m) have been finalised in the capital Lagos.

The larger is the $1bn agreement between Mobil Producing Nigeria and the Nigerian National Petroleum Corporation (NNPC) to develop the Oso Field condensate reserves. In addition, an announcement has been made of a $300m joint venture between NNPC, Nigerian Agip Company and Philips Oil to build a gas-recovery plant in Rivers State.

Production at the Oso Field, which is owned 40 per cent by Mobil Producing Nigeria and 60 per cent by NNPC, is expected to start in early 1993 and will rise to a projected 100,000 barrels a day. The reserves of the field are estimated at 600m barrels. The field is of particular importance to Nigeria as the condensate production will fall outside the country's official production quota under the Organisation for Petroleum Exporting Countries.

The 300m cubic feet of gas produced each day at Oso, together with an additional 200m cubic feet per day produced from other Mobil-operated fields, will be re-injected to maintain the reservoir's pressure. Once the condensate reserves have been exhausted, the Oso field will have gas resources estimated at 3.5 trillion (million million) cubic feet.

The prime construction contract at Oso, valued at over $400m, has been awarded to a consortium of the French company Bouygues, the Japanese Gasoline Corporation, and McDermott of the US. Details of the project finance were not announced, other than that 70 per cent of total investment has been arranged through the International Finance Corporation. An official within the NNPC said, however, that the World Bank would be the largest institutional investor, providing over 50 per cent of project finance.

The $300m gas-recovery plant in Rivers state is intended to provide the feedstock for a proposed $1bn Eleme Petrochemicals plant.

The gas plant would recover 480,000 metric tonnes a year of ethane, propane and butane, and 150,000 tonnes a year of pentanes. The supply of gas would be sourced from the Obi-afu-Obrikom field, where it is either re-injected or flared.

Liberian rebels deny ceasefire

LIBERIAN rebels said yesterday they had halted their advance on the capital Monrovia to avoid civilian casualties but denied they had agreed to a ceasefire as claimed by President Samuel Doe, Reuter reports from Abidjan.

"Doe is in there with a lot of civilians and is holding them hostage...what we are doing is taking precautions to make sure we can bring this madman under control without unnecessary killing of civilians," said Mr Tom Woewiyu, spokesman of the rebel National Patriotic Front of Liberia (NPFL).

"Every entrance and every exit to the city has been closed by us," he said, adding that rebel forces were within two miles of President Doe's heavily fortified beachfront mansion.

Mr Woewiyu declined to say where he was speaking from but said he was on his way to the Sierra Leone capital, Freetown, where he would lead the rebel delegation in peace talks due to resume tomorrow.

The NPFL did not send delegates to last Friday's scheduled opening session of the talks, sponsored by the Economic Community of West African States (ECOWAS).

Mr Woewiyu said the rebel movement was annoyed by ECOWAS attempts to impose pre-conditions on a peace settlement.

These included blocking NPFL leader Charles Taylor from the leadership of an interim government and sending an ECOWAS multi-national peacekeeping force to Liberia to prevent reprisal killings, Mr Woewiyu said.

Mr Woewiyu said there would be no reprisals against President Doe's Krahn tribe in the event of a rebel takeover.

Hostage release awaited

PRO-IRANIAN sources in Beirut said yesterday that details of a planned release of a European hostage were being worked out with Lebanese kidnappers and it was not likely before tomorrow, writes Lara Marlowe in West Beirut.

The Iranian News Agency reported on Saturday that a release would take place soon. Speculation in Beirut has centred on Mr Brian Keenan from Belfast, who was kidnapped more than four years ago.

The pro-Iranian Shia Moslem Lebanese Hizbollah (Party of God) is believed to hold most of the 15 western hostages in Lebanon, including Mr Keenan, whose release has been expected following extensive Irish efforts.

Yesterday, at least two people were killed and seven wounded when four Israeli jets bombed a Hizbollah base near the southern Lebanese town of Nabatiyeh. There were fears in Beirut that the raid might delay Mr Keenan's release.

White extremists held in South Africa

South African police said yesterday they had arrested nine white extremists and confiscated arms after a series of bomb attacks and threats to scuttle apartheid reforms designed to end white minority rule, Reuter reports from Johannesburg.

A Johannesburg Sunday newspaper named three men known in right-wing circles as among those under arrest. It said two of them were wanted in Namibia in connection with last year's attack on a United Nations office.

Police later confirmed the identities of the three men, but declined to name the other six.

Japanese aspire to inspired thinking

By Stefan Wagstyl in Tokyo

CONCERNED that it is not producing enough geniuses, Japan is to compete for the first time in the International Mathematical Olympia, a contest where students slug it out in differential calculus.

The competition tests imaginative and inspired thinking, qualities which many Japanese think they lack and which they now want to develop – in their children if not in themselves.

For the past 30 years, Japan has refrained from taking part in the event for fear of undermining a national policy of promoting educational equality. Schools have concentrated on raising the average level of achievement to high levels – with spectacular results. But criticism at home and abroad of the dull uniformity of Japanese schooling has spurred the Education Ministry to encourage greater variety. So, this year officials agreed youngsters should be allowed to test skills against mathematical wizards from other countries in the tournament, which will be held this week in Peking.

"The time has come for change," said Mr Hiroshi Noguchi, chairman of Japan's Olympia committee. "Until now, Japan could not afford to educate geniuses. But now we realise that the education of geniuses is important, through raising children with special abilities."

Mr Noguchi's committee selected a team of five aged between 15 and 17 after running preliminary contests in schools in the spring. But they are worried Japan may not do well among the 50 countries competing. They believe that, despite the ministry's new policies, students are only interested in cramming for university entrance examinations. Maybe the youngsters are simply not bright enough to realise that a gold medal in differential calculus is worth more than a career at Nomura.

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INTERNATIONAL NEWS

As China woos the west thousands languish in jail

Peter Ellingsen examines China's human rights record after the release of dissident Fang Lizhi

APPEARANCES to the contrary, human rights abuses have not receded in China. Beijing's decision to free 573 political prisoners in January, 221 in May and a handful more, including songwriter, Hou Dejian, and China's best known dissident, Professor Fang Lizhi, last month, is only a small step towards establsihing a respectable human rights record.

According to Amnesty International, tens of thousands of innocent Chinese are still held without trial for their part in the pro-democracy movement last year that culminated in the Tiananmen Square massacre.

Thousands more are "being reformed" behind bars, or in labour camps for political crimes dating back to the start of the Open Door policy over a decade ago. Students and dissident intellectuals receive lenient treatment compared to that meted out to workers and peasants. Few workers are kept in guest houses in minimum security.

People like Wei Jingsheng, convicted in 1979 for counter-revolutionary crimes, are too easily forgotten as they serve out long sentences in reportedly harsh conditions.

Mr Wei, an electrician and leader of the Democracy Wall movement 11 years ago, was accused of passing State secrets but his real offence appears to have been to propose that Chinese leaders add democracy to their modernisation program. Little has been heard of him although friends claim treatment in custody is driving him insane.

A similar fate has befallen leaders of the independent workers' movement and thousands of others whose crimes range from "separatist" activity in Tibet and elsewhere, to refusal to work with the State.

Prisoners who lack a high profile or powerful connections are easily forgotten. The young man who caught international attention last year by stopping a column of tanks near Tiananmen Square, is a case in point.

Identified by the foreign media as Wang Weilin, a worker in his twenties, he is believed to have been executed, but so great was his symbolic act, that the Party has used its Hong Kong papers to claim he was never arrested.

Fang Lizhi, who was allowed to leave Peking last month

Effective critics of the regime are seldom freed unless they have political patronage, when they are invariably expelled. Thus, Hou Dejain, the songwriter, was forced to go to Taiwan, and Professor Fang Lizhi, was allowed to leave his refuge in the US Embassy for the UK.

But Liu Xiabo, a Beijing University lecturer jailed after conducting a hunger strike in Tiananmen Square with Mr Hou and two others last June, is neither famous, nor part of any release list.

Like other critics such as Wang Dan, the student who topped the wanted list after the Beijing massacre, he remains tucked away in Beijing's Qincheng prison, with little prospect of freedom.

Mr Wang, the most effective student leader, has reportedly been interrogated more than 150 times to locate those who helped him elude police.

Those dissidents that cannot be broken by prison and in some cases torture, are candidates for a show trial. Sources here believe two leading dissidents accused of being organisers of 1989's democracy movement, Wang Juntao and Chen Ziming, are to be charged with counter-revolutionary crimes.

There is also a suggestion that Ren Wanding, an activist held after the 1970's Democracy Wall period, who was released in 1988 and rearrested last year, will also be tried.

Mr Wang, a former editor of the now defunct 'Economics Weekly', and Mr Chen, head of China's first thinktank, Beijing Social and Economic Studies Research Institute, are likely to get more than 10 years jail.

Mr Ren, a 44 year-old electrician, best known as the author of the 19 point "Human Rights Declaration," is likely to face a similarly severe term.

These legal steps have been held in abeyance until after the Group of Seven industrialised nations meeting in Houston, where as expected China's lobbying for a relaxation of sanctions appears to be bearing fruit. , and next month.

But behind the lobbying, lies a political battle of a different sort, as paramount leader, Deng Xiaoping, fights to subdue his only real contemporary rival Chen Yun.

Despite crushing the democracy campaign last year, Mr Deng still represents the relatively moderate arm of the Party, while Mr Chen, 85, is Godfather to the hardliners.

The release of Professor Fang and his wife last month indicates Mr Deng remains in charge although still under attack from Mr Chen.

While neither could be called a liberal when it comes to the treatment of dissidents, Mr Deng holds out the possibility of another moderate, such as disgraced Party boss, Zhao Ziyang, being returned to power.

Mr Zhao, who sympathised with protestors in Tiananmen Square last June, has been subjected to house arrest, rather than trial, thanks largely to Mr Deng.

As he and Mr Chen battle it out, the future of China and its political prisoners hang in the balance.

Soviet rockets to launch US satellites

By Lionel Barber in Washington

THE Bush Administration is set for the first time to allow American commercial satellites to be launched by Soviet rockets, in a new co-operative effort underlining the thaw in US-Soviet relations.

The decision clears the way for US participation in a Soviet-Australian commercial venture known as the Cape York Space Agency in northern Australia, which aims to put satellites into orbit by 1995.

Under the deal, the administration intends to grant an initial export licence to United Technologies to operate the Cape York station, a \$500m (£290m) project involving an Australian real estate company and Glavkosmos, the Soviet space agency, which would supply engineers and Zenit rockets.

US rocket makers, who already face tough competition from the Europeans and the Chinese, have fought to keep the Soviets out of the satellite market on the grounds that they could price their rockets unfairly.

But the Soviets, using a sales pitch which would do any capitalist proud, went on a recent road-tour in the US, arguing they could provide high-quality rockets at reasonable prices.

This week, the National Space Council – the interagency group headed by Vice President Dan Quayle – approved US participion in the Cape York deal as part of a series of recommendations on the international launching business.

The specific deal includes safeguards on pricing as well a call for the Soviets to pledge to limit its overseas launching to a single site and to control the export of the ballistic missile technology.

Also included in the recommendations, however, is a commitment by the administration to reopen talks on fair trading practices with the European Space Agency. These could include rules on limiting subsidies and defining fair pricing for launching payloads, according to a report in the New York Times.

Union leader's meeting with Prime Minister Mazowiecki fails to end their dispute

Solidarity MPs out of touch – Walesa

By Christopher Bobinski in Gdansk

DISAGREEMENT within Poland's ruling Solidarity establishment yesterday looked set to continue, as Mr Lech Walesa, its leader, told the movement's parliamentary deputies that they were out of touch with the people, and his meeting with Mr Tadeusz Mazowiecki, the Prime Minister, failed to end a sharp dispute between the two men.

At the same time, leaders of the Solidarity farmers' union called on their supporters to block roads for two hours throughout the country at midday on Wednesday, after the government rejected a demand for the introduction of minimum guaranteed farm prices in talks at the weekend.

This is the most serious challenge to the government's IMF-backed economic policies since it came into office last September. It follows last Friday's rejection by Parliament of Mr Artur Balazs, the prime minister's candidate for the post of farming minister, and clearly signals mistrust of the cabinet's policy on agriculture.

Yesterday, at the historic Gdansk shipyard which gave birth to Solidarity nearly 10 years ago, an angry Mr Walesa, backed by local Solidarity delegates, told the movement's Parliamentary group (OKP):

Mazowiecki: candidate for farming minister rejected

Walesa: "You have to be with the people"

"Don't you understand? Today you have to be with the people," amid grass-roots complaints that the government was moving too slowly in implementing change.

The meeting had been held at the invitation of Solidarity unionists at the three Gdansk shipyards, who had demanded the presence of both Mr Mazowiecki and the OKP group in a show of support for Mr Walesa.

The Solidarity leader, in the past few weeks, has blocked plans by rivals within the movement to build a political party designed to support Mr Mazowiecki's government.

Mr Walesa has argued repeatedly that such a party based on Solidarity would block the development of a pluralistic democracy in Poland for years.

However, Mr Mazowiecki, in a gesture which suggests that he intends to maintain an stance independent of the Solidarity union, declined to attend the shipyard meeting, preferring instead to confer privately on Saturday with Mr Walesa at a convent near Warsaw.

In an emotional speech in the same hall where, 10 years ago next month, Mr Walesa signed the Gdansk agreement which paved the way to eastern Europe's first free trade union, he vehemently denied his sole aim was to become president.

"It's Poland which is at issue, not any bid of mine for the presidency," he said. "We are falling behind," he warned, suggesting that the government's policies were failing to address the mounting discontent in the country.

Mr Bronislaw Geremek, the OKP leader in Parliament, defended his group, saying: "Anyone who promises there will be a speedy improvement in living standards is not telling the truth."

However, union delegates at the meeting, lapsing into a language and style reminiscent of the bygone Communist era, demanded that the Solidarity elite listen more carefully to "the views of the workers".

Fujimori optimistic about credit

By Sally Bowen in Lima

A CALM and smiling President-elect Alberto Fujimori returned to Peru at the weekend declaring that the way was now open for Peru to receive fresh international credit. He said a group of eight friendly countries was ready to help with the \$1.8bn (£1bn) Peru needs as bridging credit and said he expected the first IMF standby credits to be available by October.

The magnitude of the stabilisation task facing his administration was underlined by June inflation, around 50 per cent for the month. The inti-dollar exchange rate has quadrupled in two months.

In a press conference at the airport, Mr Fujimori expressed satisfaction at the confidence demonstrated by leaders of international organisations during his ice-breaking nine-day trip to the US and Japan. In New York he had met leaders of the IMF, World Bank, Inter-American Development Bank and the United Nations, to start re-establishing Peru's relations with the international financial community.

Mr Fujimori reiterated his future government's commitment to resuming the repayments on Peru's \$20bn foreign debt. But "the economic programme to be followed will be decided by Peru and not by the IMF," he said.

The Fujimori stabilisation programme will act to curb inflation, to reduce the 8 per cent fiscal deficit by increasing tax collections, to eliminate the official dollar exchange rate which allows cheap imports of essential foodstuffs, and to impose a tight monetary policy.

But Mr Fujimori emphasised that the brunt of the adjustment programme was to be borne by the better-off, in part via a one-off emergency wealth tax. Peru's net international reserves are currently negative to the tune of about \$135m, leaving little chance of cushioning Peru's poor against adjustment measures. "For this reason, we insisted with the United Nations that a social development programme be agreed upon fast," said Mr Fujimori.

The president-elect, whose parents emigrated from Japan to Peru in the 1930s, also announced that half a dozen technical missions would be arriving from Japan almost immediately to help with development plans for small and medium industry and agriculture.

Ecuador devalues currency

THE Central Bank of Ecuador is devaluing the country's currency by 3.5 per cent for imports and exports, Reuter reports from Quito.

With effect from today, the exchange rate for exports will rise from 755.50 sucres per dollar to 782, while it will climb from 770.61 to 797.64 for imports, the Central Bank said.

The bank would follow up the devaluation of about 27 sucres per dollar with incremental monthly devaluations set at 3.5 per dollar, it said.

The devaluation is part of the government's policy to boost exports. The Central Bank also acted to end some import restrictions, to finance exports, and to seek ways to direct investment through debt conversion toward social ends.

Italian strike off after climb-down by employers

By John Wyles in Rome

THE threat of a one-day general strike in Italy was averted at the weekend after a climb-down by private-sector industrial employers.

Largely isolated and under strong government pressure to compromise, leaders of Confindustria, the employers' organisation, agreed to re-open pay negotiations for workers in engineering, chemicals and a number of other industries. In return, the government and unions have agreed to begin talks from June 1 next year on a new salary structure and a new wage indexation system.

The seven-point compromise was sealed on Friday night after three days of mediation by the Socialist deputy prime minister, Mr Claudio Martelli, and his senior colleagues.

When it halted the sectoral pay talks and triggered the general strike threat by withdrawing from the *scala mobile* wage indexation system a fortnight ago, Confindustria insisted that negotiations and agreement on a new salary structure should precede individual pay settlements. Now it will have to make three-year sectoral pay deals which could eventually be modified by the outcome of next year's negotiations.

The employers had also hoped to bury the *scala mobile*, which has been operating in Italy in one form or another since the end of the war. The agreement with the government and the three trade union confederations indicates that indexation will continue, albeit in a different form.

There is no sign of any understanding about what that form might be.

For its part, the government has repeated previous assurances that it will reduce the burden of social welfare payments carried by employers. Mr Paolo Cirino Pomicino, the Budget Minister, was quoted yesterday as saying that the reductions would be worth around L3,000bn (£1.4bn) in 1991-92.

The weekend deal does not guarantee industrial peace because it is far from clear that the engineering pay talks in particular will reach an early settlement.

Mr Sergio Pininfarina, the Confindustria president, said that re-opening negotiations did not mean they would be completed. The employers regard union claims for 40 per cent rises over three years as excessive and out of line with the agreement signed on Friday night.

This recognises the importance of "an adequate incomes policy" if the government is to succeed in reducing inflation from the current 5.6 per cent to its target 3.5 per cent in 1993.

Andrei Lukanov: seeks consensus

Bulgaria's rulers in crisis as president quits

By Judy Dempsey in London

BULGARIA'S governing Socialist (former communist) Party has been plunged into crisis following the resignation of President Petur Mladenov, who allegedly wanted tanks to crush anti-communist demonstrations last December.

Parliament will meet early this week to choose his successor, preferably a non-communist and possibly Mr Petur Dertliev, the respected leader of the Bulgarian Social Democratic Party.

Mr Mladenov, who served as foreign minister under Mr Todor Zhivkov before the former communist party leader was ousted from power in a bloodless palace coup last November, unexpectedly caved into students' demands on Friday.

"I would not like to become the cause for an escalation of the tension which, according to my profound conviction, would destroy our infant democracy," he said in a letter to the Grand National Assembly, or parliament.

The country had been plagued by strikes and demonstrations since last month's first free election in more than 50 years, in which the BSP won a comfortable majority.

The students, who had been on strike over the past four weeks with the aim of pushing Mr Mladenov from the presidency, had a video tape showing how he wanted tanks to crush last December's pro-democracy demonstrations.

Mr Mladenov had first said the tape had been tampered with, but then hedged. For its part, the BSP distanced itself from the president, an indication that the party is deeply split between conservatives and reformers, grouped around Mr Andrei Lukanov, the Prime Minister.

In addition, the reformers, anxious to marginalise the conservatives by seeking a coalition government with the opposition Union of Democratic Forces, are hoping Mr Mladenov's resignation will pacify the students and limit the "fall-out" of other senior BSP members who served under Mr Zhivkov and who are tainted by their communist past.

But yesterday, student leaders called for more resignations including Mr Lukanov, Mr Dobri Dzurov, the Defence Minister, and Mr Atanas Semerdjiev, the Interior Minister.

So far, the UDF and the Agrarian Union, until recently a communist party ally, have refused to join any coalition despite several invitations by Mr Lukanov. He realises that tough economic policies cannot be pushed through without a national consensus.

During a crisis meeting of the BSP at the weekend, Mr Lukanov proposed that the party hold a special congress in October designed to transform the party into a genuine social democratic movement.

It is increasingly likely, however, that the party will split. This could give Mr Lukanov a chance to form a coalition with the UDF and the Agrarian Union.

But equally, it could give the conservatives, demoralised by the ease with which Mr Mladenov was forced out of office, a chance to turn the table on reformers by highlighting their communist past.

Norway oil workers end stoppage

By Karen Fossli

NORWAY'S crude oil and natural gas production was restored to full capacity at the weekend following a retreat by striking oil workers who, for a week, blocked fresh supplies and staff replacements for platforms.

Norway, western Europe's biggest crude oil producer and its third biggest gas producer, had been able to produce only 40 per cent of its 1.7m barrels a day crude oil output. Gas exports were completely choked.

The country exports, on average, slightly more than 2bn cu m of gas a month while oil products account for about a quarter of gross domestic product.

Mr Morten Woldsdal, a spokesman for Statoil, the Norwegian state oil company, estimated yesterday that his company lost more than NKr200m (£17.7m) in revenue during the strike but that state coffers suffered a loss of about NKr800m.

The strike over wages, described as one of the worst in the country's history, lasted just over a week. Norway's centre-right coalition Government intervened last Monday and declared the action illegal.

Employees had rejected a pay deal in line with a nationwide 4 per cent agreement reached earlier this year between LO, Norway's biggest trade union, and NHO, the Confederation of Business and Industry. About 1,000 offshore oil workers defied a back-to-work order but were forced to end their vigil at the weekend after 28 strikers were sacked.

Kosovo's ethnic leaders warn of strikes

By Laura Silber in Belgrade

ETHNIC Albanian opposition leaders in the southern province of Kosovo yesterday called for a limited general strike if Serbia, Yugoslavia's biggest republic, intensifies a crackdown on the predominantly ethnic Albanian province.

In response to the Serbian crackdown, diplomats from the EC, the US, Canada and Norway boycotted a reception given by Mr Slobodan Milosevic, the president of Serbia, to commemorate the anniversary on July 7 of a Serbian uprising during the Second World War.

Mr Veton Surroi, an ethnic Albanian opposition leader, called yesterday for the UN to intervene in the dispute, according to international agreements.

However, this snub did not deter Mr Dragan Nikolic, a member of the Serbian Government, from stating that anyone striking would be fired instantly.

The Democratic Forum, an organisation which represents Kosovo's opposition group, called for a strike in all enterprises for one hour each morning. Success of the strike weapon is now in doubt following the threats of reprisals. Police have already broken up one of the organisation's meetings.

The opposition issued its statement in Pristina, Kosovo's capital, after Serbia dissolved the province's parliament and government on Friday and conducted sweeping purges of the Albanian-language media.

Security forces increased their control throughout the province and heavily armed Serbian security forces have occupied the television and radio station in Pristina. The television station is sporadically emitting Albanian language programmes, however.

Police also dispersed a sit-in staged yesterday morning by 500 ethnic Albanian journalists.

The crackdown on the province was prompted by a declaration of Kosovo's independence from Serbia by ethnic Albanian parliamentary deputies on July 2. But Mr Momcilo Trajkovic, Serbia's deputy prime minister, said: "We have known for a long time what the goals of the opposition are. They want to create a second Albanian state inside Yugoslavia. What we are seeing is a mass Albanian nationalist movement which is anti-Serbian, and anti-Yugoslav."

Ethnic Albanians have repeatedly stressed their loyalty to the Yugoslav federation.

Serbian authorities plan to promulgate a new constitution, which would bring Kosovo and the ethnic Albanians who make up 90 per cent of the province's 2m-strong population, under direct Serbian control. Mr Milosevic has spearheaded a campaign to strip Kosovo of its autonomy, which provoked mass ethnic Albanian riots. At least 60 Albanians have been killed in protests against Serbia in the past 18 months.

Greece and US agree defence pact

By Kerin Hope in Athens

GREECE and the US yesterday concluded a new eight-year defence agreement for two American bases to continue operating on the island of Crete. Two others near Athens will be shut under a Pentagon cost-cutting plan.

The agreement, which appears to satisfy two long-standing Greek demands in connection with Turkey, is expected to take effect by September 30, after being ratified by the Greek Parliament and US Congress.

Its preamble states that both sides undertake "to protect the security, sovereignty, independence and territorial integrity of their respective countries against actions threatening to peace, including armed attack." This is seen as a guarantee that the US would intervene in the case of an attack on Greece by Turkey, its ally in Nato but rival for control of the Aegean Sea.

Article nine of the pact declares that US military aid to Greece will be guided by the principle "that calls for preserving the balance of military strength in the region," effectively an assurance that the current 7-to-10 ratio in military aid to Greece and Turkey will be maintained.

An accompanying letter, released with the accord's text, sets US military aid to Greece, a form of rent for the bases, at $345m (£200m) for 1990-91, the same amount as for this year.

In addition, Greece will be given second-hand US military equipment valued at more than $1bn. The agreement has no termination date.

Support for European unity

By Tim Dickson in Brussels

ALMOST 90 per cent of Europeans are in favour of moves towards greater unity, while 72 per cent declare themselves in support of the formation of a European union with a single government responsible to the European Parliament.

These are among the findings of a spring poll of public opinion (Eurobarometer) published yesterday on behalf of the European Commission.

Broad approval for Community institutions and their policies is sustained, with a notable increase in enthusiasm for the EC in traditionally lukewarm Denmark.

A large majority of those interviewed in the poll – 71 per cent – favour German unification.

There is also wide support for closer links and exchanges with the countries of central and eastern Europe.

E German motorcycle group plans reshape

By John Griffiths

MZ of East Germany, the only east European motorcycle manufacturer with sizeable exports to the west, is to restructure and develop new product ranges under a five-year contract with a UK technical services and engineering group.

MZ, or VEB Motorradwerke Zschopau, manufactures about 100,000 motorcycles a year in the 125cc to 250cc range. Its output is higher than any west European motorcycle maker, although the world market is dominated by Japanese producers.

About 15,000 MZs are exported each year to western markets, including the UK.

However, managers of the state-owned East German concern, based at Chemnitz, formerly Karl Marx Stadt, accept that without a fundamental overhaul of the business there is little chance of its survival as it becomes more exposed to western and Japanese competition.

Despite motor sport successes which have given MZ a respectable image in the west, the machines themselves are relatively unsophisticated and are sold at prices well below those of similar capacity Japanese models.

But these prices have borne little relation to the cost of production and MZ's managers are said to have accepted that labour productivity must be improved sharply, the plant almost completely re-equipped and a modern range of machines developed if sales are to be maintained and costs contained within a D-Mark economy.

The UK group which is to implement the restructuring, Optical and Medical International (OMI), has already told MZ's 1,500-strong work force that at least one-third of existing jobs will have to go.

Despite this, the restructuring plans have been firmly endorsed by the workers, according to Mr Gil Williams, OMI's chief operating officer.

For the remaining workers the average monthly wage of DM700 (£240) "will have to rise substantially," Mr Williams acknowledges.

OMI is a public group with a turnover last year of £55m and a name which has become an increasingly poor indicator of its activities.

Its medical operations were sold off in a management buy-out operation last year, and it is now concentrating on the supply of technical services to industry, particularly aerospace and automotive, electro-optics and instrumentation.

At the start of this year OMI bought for £5.3m Munich-based Peters and Zabransky, which specialises in the design and stress analysis of vehicle and aircraft components. This was part of the company's wider expansion programme into mainland Europe, including the east.

Part of OMI's brief for MZ is to prepare it for transition to a private limited company, although no time has been set.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Apr.'90	Mar.'90	Feb.'90	Apr.'89
US	46,433	46,424	43,913	20,731
Japan	66,163	66,663	73,463	93,471
W. Germany	56,975	56,919	57,156	51,384
France	25,542	22,901	22,211	23,054
UK	31,190	31,345	31,839	39,097
Italy	50,546	48,943	45,755	37,233
Belgium	9,835	9,935	9,920	9,154
Netherlands	15,601	15,479	15,531	13,155

Source: IMF

Counting costs of dual pricing in the run-up to 1992

Guy de Jonquières on wide discrepancies in prices for identical products retailing in EC countries

TIMOTEI shampoo, made by the Anglo-Dutch Unilever group, is often cited as an example of a truly global product which transcends national frontiers.

Yet in large stores in the Dutch city of Amsterdam the pre-tax price of a 200ml bottle of Timotei was found recently to be more than 60 per cent higher than in London.

In a single European market such wide discrepancies should be difficult to maintain. After 1992, when internal barriers fall, the European Commission expects increased competition and shopping across borders to lead to a steady convergence of prices throughout the community.

Today, however, Timotei is far from a unique example of dual pricing. A survey carried out for the FT has found wide variations between EC countries in the retail prices of many popular consumer products, both before and after tax. Differences of two-to-one in the pre-tax price of the same product are not unusual.

The survey was conducted in March and April by Runzheimer Mitchell Europe, a consultancy specialising in international cost-of-living comparisons. Runzheimer's researchers checked prices of the same branded products in at least three large department stores or supermarkets in each of more than a dozen European cities.

Asked to account for the price variations, manufacturers offered a wide variety of explanations. As Britain's Thorn EMI puts it: "A muesli of factors affects pricing in different countries. It is not at all surprising that there are such dramatic differences between countries."

From the manufacturers' responses it is apparent that many still operate marketing strategies which treat EC countries as separate entities, each with its own quirks and peculiarities, and set their prices according to what they judge the local market will bear.

Despite strenuous efforts by many companies to rationalise their European operations and expand across borders ahead of 1992, few seem to be preparing actively for a single market by aligning their prices more closely.

Indeed, some, such as Kodak, say explicitly that they have no plans to do so.

Companies frequently cite currency fluctuations as a reason for price variations. The relative weakness of sterling when the survey was made may partly explain why London emerged most often as the cheapest city in which to buy both imported and locally-made products.

However, exchange rate movements cannot be blamed for the fact that the pre-tax price of a Hoover vacuum cleaner in Luxembourg is half the level in Amsterdam or Cologne, when all three countries' currencies belong to the inner "bands" of the European Monetary System.

Many companies point out that they do not fully control retail prices, which are set by local distributors and are affected by the differing structure and practices of the distribution trade across Europe.

For instance, the large multiple stores which predominate in the UK enjoy lower unit costs than the small independent retail outlets common in Italy. Furthermore, bigger retailers are able to order in bulk and negotiate substantial discounts with their suppliers.

An exception is the record business, where companies are committed to supplying retailers on demand with anything from one item to 5,000 at a time. However, Thorn EMI says it costs almost as much to deliver five cassettes as 25.

Some companies, such as Heinz, the food processor, say prices also reflect differences in manufacturing costs at their European plants.

Hitachi says its video cassette recorders cost more in Milan than in London because the former are imported from Japan, while the latter are made in Wales.

Several companies also say prices for the same products can diverge as widely within the same country as between countries.

That is not, however, true of newspapers such as the Financial Times, for which prices without tax range from Ecu1.54 in Denmark to Ecu1 in France and only Ecu0.67 in London.

These differences are due in part to transport costs from the FT's European printing centres in Frankfurt, Roubaix and London. Furthermore, the international edition of the FT sold on the continent is not distributed in Britain.

However, the FT, like many other companies, says its prices are also influenced by local conditions. Heinz, for instance, says its policy is to lower prices in countries where it is not the brand leader. Some companies say the FT survey coincides with special promotional price-cutting in certain countries.

Numerous special factors are also cited. Among these are:

- Mars Bars cost less in Britain partly because they contain less chocolate than those sold on the continent;
- Nescafé is relatively expensive in Milan because the Italian market for instant coffee is very small;
- Coca-Cola's high price in Denmark is due partly to a legal requirement that drinks be sold in returnable containers, which cost more than ordinary ones;
- Thorn EMI says pre-recorded cassettes have to be priced low in Greece to meet severe local competition from "pirated" tapes;
- Levi Strauss says its 501 jeans are expensive in Spain because they are regarded as fashion items, not as everyday clothing.

Many of the companies surveyed say they make no attempt to set European prices centrally, leaving decisions to their national sales organisations. However, Mars and Levi Strauss say they have already begun aligning their European prices and aim to reduce the spread between EC countries to no more than 10 per cent after 1992.

Their main motivation is to pre-empt cross-border bargain hunting and the growth of "parallel imports" from low-cost countries to expensive ones. The Commission sees such price arbitrage as an important mechanism for reducing discrepancies between national markets after 1992.

Other companies, however, appear convinced that deep-rooted economic and cultural differences between EC countries will ensure that price variations survive long after 1992. Time alone will judge who is right.

Runzheimer Mitchell Europe, 12 Seymour Street, London W1H 5WB. Tel. 071 486 5458. Additional research by Clay Harris, Alice Rawsthorn and Philip Rawstorne.

HIGHEST AND LOWEST PRICES IN Ecu OF PRODUCTS IN EC CITIES

	Lowest*		Highest*		Price coefficient**
Bosch 500-2 power drill	Brussels	70.94 – 56.75	Milan	99.34 – 83.48	1.47
Bosch 4542 washing machine	London	462.69 – 402.34	Milan	672.74 – 565.33	1.40
Braun Silencio hairdryer	London	18.44 – 16.03	Athens	50.60 – 43.62	2.72
Coca Cola, 1.5l bottle	Amsterdam	.82 – .69	Copenhagen	2.04 – 1.45	2.10
Colgate toothpaste, 100ml	Athens	1.33 – 1.15	Milan	1.88 – 1.72	1.50
EMI Compact disc : Tina Turner "Foreign Affair"	Athens	14.39 – 12.41	Madrid	21.72 – 19.39	1.56
EMI cassette of same	London	8.7 – 7.57	Copenhagen	21.84 – 17.9	2.36
Financial Times	London	.67 – .67	Copenhagen	1.54 – 1.54	2.30
Gillette Contour razor blades, 5-pack	Athens	1.99 – 1.72	Copenhagen	3.53 – 2.76	1.60
Heinz ketchup, 570gm	London	.86 – .86	Madrid	2.04 – 1.92	1.98
Hitachi 630 videorecorder	London	452.17 – 393.19	Athens	749.64 – 551.21	1.40
Hoover 3726 vacuum cleaner	Luxembourg	118.31 – 105.63	Amsterdam	260.31 – 219.67	2.08
IBM 30-021 personal computer, 20MB, colour display	Athens	1629.21 – 1404.49	Copenhagen	4065.75 – 3332.58	2.37
Kelloggs cornflakes, 375gm	Amsterdam	1.26 – 1.06	Cologne	1.95 – 1.82	1.72
Kodak 35mm Gold 100 film	Cologne	3.4 – 2.98	Copenhagen	5.98 – 4.90	1.64
Levi 501 jeans	London	50.01 – 43.49	Madrid	74.65 – 66.65	1.53
Mars Bar	London	.27 – .27	Copenhagen	.67 – .55	2.04
Nescafé, 200gm	Athens	3.67 – 3.16	Milan	7.78 – 7.14	2.26
Olivetti ET65 electronic typewriter	Brussels	331.37 – 278.46	Lisbon	638.37 – 545.62	1.96
Pampers, Midi 52, boy's	Dublin	10.47 – 8.51	Milan	11.70 – 10.73	1.26
Sony 2121 television	London	536.45 – 466.48	Copenhagen	1091.74 – 894.87	1.92
Timotei shampoo, 200ml	London	1.23 – 1.07	Amsterdam	2.09 – 1.78	1.64
Toblerone, 100gm	Amsterdam	.85 – .72	Lisbon	1.49 – 1.38	1.92

*Prices in Ecu, converted at rate of April 27, 1990. The first set of figures in each column is the retail price, the second the price before tax. ** Ratio of highest to lowest pre-tax prices.
Data supplied by Runzheimer Mitchell Europe.

THE HOUSTON SUMMIT

US signals easier stand over China

By Peter Norman in Houston

THE world's leading industrial countries will discuss whether to relax sanctions against China, imposed after the June 1989 Tiananmen Square massacre, following a US signal that it will not oppose Japanese loans for China.

The issue of bilateral Japanese loans for China was raised in talks between Mr Toshiki Kaifu, the Japanese Prime Minister, and President George Bush on Saturday ahead of today's start of the three-day world economic summit in Houston.

While Japanese officials insisted that Tokyo had made no decision to resume lending to China, Mr Kaifu told Mr Bush that he feared China might be pushed into isolation, causing turmoil and confusion.

It is thought that Japan wants to resume a $5.2bn (£3bn) five-year programme of loans for China that was frozen last summer.

The Japanese Government has been encouraged to reconsider its approach to China by what it regards as signs of a more open policy there. Briefing journalists, Mr Taizo Watanabe, a Japanese government spokesman, cited the recent decision of the Chinese Government to allow the leading dissident Mr Fang Lizhi to leave the country.

At the weekend the US indicated it might accept Japan renewing loans to China while not changing its own policy of sanctions. In an impromptu exchange with reporters, Mr Bush pointed out that Japan was a sovereign nation that "can make up its own mind on a lot of questions."

Later, Mr Marlin Fitzwater, the White House spokesman, said the US believed China needed to make more progress with regard to dissidents and others jailed after the massacre. Mr Fitzwater added that he did not "anticipate any change in the US position on China aid."

British officials said the UK was sympathetic to more flexibility in the industrial nations' approach towards China, although not to the extent of relaxing such sanctions as the arms embargo.

They indicated that one area of possible relaxation could be over the World Bank's lending to China.

Since the Tiananmen Square massacre, the World Bank has provided money to China for humanitarian purposes only and stopped its lending for projects and infrastructure improvement.

The World Bank policy was discussed on Saturday by Mr Nicholas Brady, the US Treasury Secretary, and Mr Ryutaro Hashimoto, his Japanese counterpart.

Mr Brady said afterwards that the US understood Japan had a geopolitical interest in improving relations with China, but he hoped multilateral lending to China would continue to be limited to meeting basic human needs.

Energetic bunch: from left, man of letters Giulio Andreotti, hyper-active George Bush and ice-skating Brian Mulroney

Summiteers well prepared to scale heights

By Peter Riddell

THE summit leaders are a productive and energetic bunch; they enjoy vigorous exercise out of doors and have large families. Between them, the 24 summiteers – the heads of government, their foreign and finance ministers – of the Group of Seven countries and the European Commission have 64 children, more than enough to help fulfil their joint policy of sustained growth.

The leaders are also the type of people who exhaust their guests. Not only is President George Bush notoriously hyperactive – jogging, sailing, and even playing golf at 7am in the rain last week – but his enthusiasms are matched by the others round the table.

Canadian Prime Minister Brian Mulroney apparently finds time for tennis, swimming, fishing and ice skating, and no doubt welcome diversions from constitutional crises; European Commission vice president Frans Andriessen enjoys horseback riding, soccer and tennis; while Japanese Finance Minister Ryutaro Hashimoto is an experienced mountain climber (appropriately for a summiteer, he led a Japanese attempt on Everest) and is skilled at kendo fencing.

The leaders are also an intellectual group, spending their free time going to the theatre and listening to music.

According to the US briefing book, Mrs Margaret Thatcher enjoys listening to Bach, Beethoven and Chopin. For his relaxation from jet-set diplomacy Mr Hans-Dietrich Genscher, the West German Foreign Minister, chooses Agatha Christie mysteries – a clue, perhaps, to his skills at political survival.

There are also a good number of authors round the table, and not just of political hack-work. British Foreign Secretary Douglas Hurd will find material for further novels like his Smile of the Face of the Tiger and Scotch on the Rocks.

The Italians are, however, the most intriguing. Prime Minister Giulio Andreotti's titles include Among My Friends a Few Popes. His Foreign Minister, Gianni De Michelis, has the unique distinction of having written a guide to Italian night clubs entitled Where are We Going To Dance Tonight? That, alas, is not a question anyone will be asking this week in humid Houston.

US hopes for support on Latin America

By Peter Riddell, US Editor, in Houston

THE US is hopeful of obtaining Japanese and European support for its initiatives to support the emergent democracies of Central America and to assist economic development in Latin America generally.

Mr James Baker, US Secretary of State, will this week follow up the plan he unveiled last Wednesday in Brussels for the Group of 24 industrialised countries to extend their remit from eastern Europe to include Central America as well.

The US is keen to ensure that the western world does not ignore the importance of Latin America to the US in view of recent changes, not only in Panama and Nicaragua but also, with the election of new governments, in Chile, Brazil and Argentina.

Mr Baker has urged financial support "for development to encourage democracy".

Mr Frans Andriessen, the European Commission vice president responsible for external affairs, said over the weekend that the EC response would be "positive and constructive".

This extension of the role of G24 is separate from the new western initiative launched at the end of last month to encourage economic development, free trade and relief of official debts.

There have been discussions here between senior US officials and other summit participants about the US desire for sizeable European and Japanese contributions to an economic development fund for the region, to be administered by the Inter-American Development Bank.

Mr Nicholas Brady, the US Treasury Secretary, had an initial discussion on Saturday with Mr Ryutaro Hashimoto, the Japanese Finance Minister. He said Mr Hashimoto had expressed interest, but had made no commitment yet, as he wanted to understand the precise details of the proposal.

The US side will seek an emphasis on development in Latin America in the final communiqué to match the support for reform in eastern Europe.

British Prime Minister Margaret Thatcher and her husband Denis receive an enthusiastic welcome from schoolchildren on arrival at Houston for the world economic summit

Japan tackles language barrier

By Peter Norman

JAPAN proposed at the weekend action to increase mutual understanding with the US, allowing smoother relations between the two countries.

On the eve of the Houston world economic summit Mr Toshiki Kaifu, the Japanese Prime Minister, proposed a "Communications Impediments Initiative" (CII) to US President George Bush.

The title chosen by the Japanese leader for the suggested programme deliberately harks back to the Structural Impediments Initiative (SII) talks, which the US forced Japan to accept as part of continuing efforts to reduce the Japanese trade surplus with the US, and its current account balance of payments surplus in general.

At the end of last month SII talks between the US and Japan ended in agreement for Japan to increase public spending over the next decade in return for US pledges to cut its budget deficit and encourage savings.

Mr Kaifu's CII suggestion appears rather less confrontational than the SII talks. According to Mr Taizo Watanabe, a Japanese government spokesman, his aim is to establish a medium- to long-term programme that would overcome misunderstandings arising from the different social and cultural circumstances of the US and Japan.

The Japanese Government has proposed a Y50bn (£190m) programme to promote study of the Japanese language in the US and is also anxious to promote exchange of citizens between the two countries.

"When there is so much interdependence as between the US and Japan, it makes sense that they should understand each other better," a Japanese official said.

Mr Kaifu will give more details of the idea in a speech in Atlanta, Georgia, after the summit. Japanese officials said Mr Bush responded positively to the idea.

CONTRACTS & TENDERS

LEGAL NOTICES

No. 00 2749 of 1990

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF WIMPEY-DUBLIER LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated Monday 11th June 1990 confirming (1) the reduction of the capital of the above-named Company from £2,500,000 to £2,065,764 and (2) the cancellation of the amount of £174,050 standing to the credit of the Share Premium Account of the Company, and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 21st June 1990.

Dated this 9th day of July 1990

Manches & Co
3 Worcester Street
Oxford OX1 2PZ
Solicitors for the above-named Company

RENTALS

UK NEWS

Brooke optimistic on Ulster talks

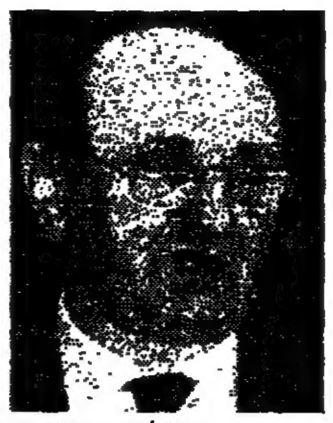
By Ralph Atkins

MR Peter Brooke, the Northern Ireland Secretary, yesterday sparked hopes of an agreement within the next three weeks with the Irish Republic over his plans to break Northern Ireland's political deadlock.

Mr Brooke wants to be able to outline his plans for starting round-table talks before the House of Commons rises for its summer recess on July 26.

He knows that if he fails there is a risk that his work over the past six months, aimed at starting talks, would unravel. Last week he was unable to give parliament a timetable for formal talks after a last-minute hitch with the Republic.

But speaking on BBC Television yesterday, Mr Brooke said: "The encouraging thing in the three days since I spoke on Thursday is that the Irish Government, on more than one occasion, has indicated that they do approach the remaining conversations with goodwill and flexibility"

Peter Brooke and Gerry Collins: may meet soon

Mr Brooke will want to consult Mr Gerry Collins, the Irish Foreign Minister, as early as possible to find a way of resolving the disagreement.

Dublin insists that it should be involved from the outset in discussions which might alter the nature of the 1985 Anglo-Irish Agreement. Unionists, however, are against Dublin being involved until substantial progress has been made on a new system of government for the province.

Talks to start arrangements for devolving power to Northern Ireland's local politicians are thought likely to take place in a break between the meetings of the Anglo-Irish Conference which are held every two or three months.

Mr Brooke said: "Since they [the talks] involve several strands we are going to need be able to move onto the other strands at a reasonably early stage."

Despite the precariousness of his negotiations, Mr Brooke remains hopeful that progress can be made. "There has been a willingness on the part of the parties to be helpful. . . The nearer we get to the end the higher the stakes for everyone and therefore the greater the willingness to show goodwill."

Call for expansion of training schemes

By Lisa Wood, Labour Staff

LONG-TERM unemployment in Britain could be virtually eliminated within four years if every person registered as unemployed for more than a year was guaranteed a place on a training or employment programme, according to a report by the Employment Institute.

Dr John Philpott, director of the institute and author of the report, maintained that this goal could be achieved at no additional net cost to the public purse. The average annual cost of about £1.3bn a year would be offset by savings in benefits, and increased tax and National Insurance revenue.

The report says most existing measures to reduce long-term unemployment are reasonably effective but they are inadequate in scale and scope.

It says: "Government employment and training programmes, for example, provide places at any one time for only one-third of people unemployed for more than a year, and the central measure, Employment Training (ET), is, in its present form anyway, inappropriate to the needs of many."

In January 1990 almost 600,000 people in Britain had been out of work for a year, half of them for three years or more. Dr Philpott says the addition of a maximum of 375,000 places on training or employment programmes would eventually allow the number of long-term unemployed people to fall to about 75,000. He urges the creation of 100,000 places on an improved ET programme as well as 250,000 subsidised job placements in the private sector and 25,000 in the public sector.

● *A Solution to Long Term Unemployment: The Job Guarantee. The Employment Institute, Southbank House, Black Prince Road, London SE1. Price £4.50.*

Labour's industrial policy to be challenged at TUC

By John Gapper, Labour Editor

A CALL for a Labour government to allow unions the freedom not to ballot on strikes, and give them an unlimited right to call secondary industrial action, is to be debated at the Trades Union Congress in September.

A motion backing "the principles of free trade unionism" has been submitted by the public services union Nalgo in spite of efforts by TUC leaders to maintain a consensus behind Labour's modified industrial relations policy.

The Nalgo motion will ensure that opposition to Labour's policy from a minority of left-wing unions surfaces publicly at the next TUC conference.

Nalgo has led the opposition in the TUC even though it is not affiliated to the Labour Party.

The motion calls for union members to be able to determine and enforce rules through "their own democratic procedures" and "take solidarity action without fear of dismissal or legal attacks on union funds."

Alan Jinkinson

It conflicts with the policy set out by Mr Tony Blair, the party's employment spokesman, which backs mandatory ballots for industrial action and sets clear limits on the degree of sympathy action that unions can back lawfully.

The Nalgo motion was drafted by its executive and TUC delegation in spite of doubts expressed by the union's three representatives on the TUC general council.

It is the first motion opposing Labour's policy to be published. Nalgo, which is now the third biggest union in the TUC, abstained along with the MSF general technical union in the the TUC general council last month when the council voted on a policy statement that is in line with Labour's.

Mr Alan Jinkinson, Nalgo's general-secretary elect, strongly criticised Labour's plans at the union's recent annual conference in Bournemouth. He said he hoped unions could avoid a "major split" at the TUC.

The left-led unions opposed to Labour's new policy include FTAT, the furniture workers' union, and the NGA print union.

However several large unions including the TGWU general union and the Nupe public service union have backed it.

Nalgo is to argue at the TUC that a future Labour government should repeal all the Government's union laws.

It will cite criticism of the laws by an International Labour Organisation committee of experts made last year.

Civil Service aims to help part-timers

By Diane Summers

FRESH impetus is being given to a Civil Service drive to attract more part-time workers as senior managers are being told that their performance in recruiting and promoting part-timers is to be scrutinised.

An 18-month study of all Civil Service terms and conditions has just been completed with the aim of ensuring that part-timers, in particular women with children, are not discriminated against. The Civil Service, while conceding that it is unable always to compete on salaries, is hoping to beat the private sector when it comes to the provision of flexible working opportunities.

While many organisations claim to be taking action to attract women returners, the reality is that part-time opportunities tends to be available only for lower-grade jobs. The Civil Service scheme emphasises opportunities for flexibility in the most senior-grade jobs.

It is being made clear to senior managers that questions will be asked of departments which fail to recruit, retain and promote part-time workers.

Companies found to favour new technology

By Alan Cane

FEARS that the introduction of new technology into the UK manufacturing industry would lead to widespread job losses, deskilling and negative reactions from trades unions have proved unfounded according to a new report from the Policy Studies Institute.

It says that among companies it canvassed there was no belief that there would be a dramatic surge in the take up of new technology. Changes would be incremental and there were no signs of a move towards the "automated factory" using computer-integrated manufacturing (CIM) which could result in drastically reduced workforce numbers.

The report is the latest in a series of studies from the PSI which show that the proportion of factories using microelectronic technology either in products or processes has grown from seven per cent in 1978 to more than two-thirds today. It says the greatest single problem in relation to new technology is the shortage of skilled engineers and engineering managers.

The report suggests that job losses as a direct result of the introduction of microelectronics in manufacturing applications averaged between 40,000 and 50,000 jobs a year between 1983 and 1987 but that this figure was dwarfed by job losses from other causes, chiefly the economic recession and organisational change.

The study shows, furthermore, that of companies which had introduced microelectronics either in their products or services since the early 1980s, more than half said there had been no change in the number of employees, while others reported increases.

The kind of jobs lost were predominantly unskilled manual jobs, according to the report.

The Employment Effects of New Technology in Manufacturing. £19.95 from the Policy Studies Institute, 100 Park Village east, London NW1 3SR.

BAe seeks leave to play wider telecomms role

By Hugo Dixon

BRITISH AEROSPACE is seeking to persuade the UK Government to let it provide international telecommunications services by satellite and to lay its own long-distance telephone cables.

The move is part of a drive to become a leading participant in Britain's telecommunications market. BAe, along with Racal Electronics and British Rail, is one of the leading UK challengers to the British Telecom/Mercury Communications duopoly, due for review by the Government in November.

Although BAe's strategy will depend on the outcome of the review, the group estimates that it might achieve annual turnover of about £1bn by 2000. BAe is anxious to find new sources of revenue to offset the slowdown in defence spending.

BAe already has two footholds in the UK telecommunications market. It owns 35 per cent of MicroTel, one of three companies licensed by the Government last year to run the next generation of mobile communications services, known as personal communications networks (PCN). It also owns wholly one of seven specialised satellite service operators licensed in 1988.

However, both licences are subject to restrictions that BAe wants lifted. The company set out its position recently in a submission to the Department of Trade and Industry.

The satellite licence can carry only one-way traffic within Europe and cannot provide services connected to the public telephone networks. BAe wants to be able to provide two-way services around the world and to connect its satellite network to BT's and Mercury's public networks. Also, MicroTel wants to be able to lay its own long-distance network, using fibre-optic, microwave and satellite links.

BAe does not aim at this stage to compete head-on with BT and Mercury as a fully fledged third national operator. It intends instead to focus on the fast-growing niche markets of satellite and mobile communications. However, it wants to be free to lay its own network, to avoid dependence on BT and Mercury and to be be able therefore to negotiate better terms and conditions from them.

Sanyo Oil plans £50m Welsh leisure complex

By John Authers

SANYO OIL, the Japanese oil company, has submitted planning applications to build a golf course and leisure complex worth about £50m near Monmouth in Gwent, Wales.

The scheme might create more than 200 jobs in the area if it receives planning permission. Monmouth Borough Council was unable to coment on the planning application yesterday.

The complex, which includes a 130-bed hotel and 100 self-catering holiday lodges, will be built on the site of the former country home of Charles Rolls, one of the founders of Rolls-Royce.

Sanyo recently bought the estate and the house, which has been disused for the past 15 years. It plans to dedicate a museum on the site to Rolls's work as a pioneering motorist, balloonist and aviator.

A separate application was also lodged to build 80 executive four and five-bedroom homes next to the golf fairway, estimated to cost about £450,000 each. Sanyo's consultant architects have also offered to discuss the inclusion of lower-cost "affordable" housing for local buyers.

Mr John Mathison, of L&R Leisure Consultants, which is handling the development, said the scheme would help to attract investment to Wales.

Shakeout in advertising forecast as slide sets in

By Alice Rawsthorn

THE ADVERTISING industry is set for a shakeout in the early 1990s as smaller advertising agencies come under increasing pressure and larger agencies struggle against rising costs, according to a new study.

In recent months, the advertising industry has suffered an unexpectedly severe slowdown in advertising expenditure. Some large agencies, such as Saatchi & Saatchi, have been forced to shed staff. Others, such as Ogilvy & Mather plan to cut costs by moving outside central London.

The study, conducted by Data Institute in Belgium together with MPS, a UK marketing consultancy, suggests that the slowdown might continue for several years. It forecasts that the UK market for advertising and sales promotion will grow by just over 3 per cent a year between now and 1992. That is slightly below the average rate of growth across the rest of Europe.

West Germany is expected to be the fastest growing market, with average growth of 5 per cent over the same period. The French and Swiss markets should also expand faster than the UK, with growth of more than 4 per cent.

The comparatively low growth of the UK market will intensify the pressure on profitability. The study predicts that the profit margins of UK advertising agencies may fall by nearly 7 per cent a year until 1992.

The study suggests that the combination of sluggish expenditure and declining profitability may put some of the small, specialised agencies out of business.

Larger agencies may also be squeezed. In recent years such agencies have faced steep increases in salaries and overheads at a time when the increases in fees and commission have not kept pace with inflation.

The Data Institute/MPS Advertising Report is available from MPS, Peerland House, 207 Desborough Road, High Wycombe, Buckinghamshire, HP11 2QL.

Baker fails to find lift-off in Llandudno

Ralph Atkins spends a quiet Saturday observing the Conservatives' Welsh conference

NINE-THIRTY on a grey Saturday morning in Llandudno, North Wales. Mr Kenneth Baker, the earnest Tory party chairman, is preparing to rally the troops at the Conservatives' Welsh conference.

In the chair is Miss Beata Brookes, the colourful deputy chairperson of the Welsh party and former MEP. With her matching suit and spectacles she is a rare flash of purple thunder in the quiet seaside resort.

Mr Baker is introduced as "one person who is never going to allow the tide to turn to Labour." He smiles bashfully.

The party chairman's speech twirls around the growth record of the Welsh economy and the wonderfulness of Mrs Margaret Thatcher, and concludes with a pirouette on the evils of the opposition.

But at the end, his 40-second standing ovation from the 200, mostly elderly, delegates smacks of the perfunctory. Somehow, lift-off has not been achieved.

By the close of conference the genteel calm at Llandudno had hardly been disturbed. There had been no great show of emotion, no cheering or foot-stomping speeches. The atmosphere at the Canolfan Aberconwy centre had been no more excited than a school prize-giving.

Part of the problem for the Welsh Tories was the unnatural terrain. Conservatives hold only seven out of 38 seats in Wales – half their representation after the 1983 election.

The history of the mountains and valleys, with their traditional reliance on heavy industry and mining, is wrapped more in all-male choirs and socialist oratory than in modern Conservative marketing.

In Llandudno, the brasher element was not totally unrepresented. The Young Conservatives' disco brought out pin-stripe suits, blazers and silk handkerchiefs a-plenty, even if it did end at midnight because of the noise. And it was not hard to find those predicting future Conservative gains.

"The old working-class solidarity based on 10,000 people working in the same factories or in pits underground is being broken down," says Mr Nicholas Bennett, MP for Pembroke. But Mr Baker's style of politics still seemed curiously out of place.

Sitting near the back of the hall, Sir Anthony Meyer, MP for Clwyd North West and stalking-horse challenger to the Conservative party leadership last year, was less than impressed.

"He just came and gave us a standard party speech which seemed not particularly well suited to the audience . . . It was a bland speech but I don't think there was anything else he could have done."

Sir Anthony favours a more conciliatory and pragmatic style.

What the Government needs to adopt in Wales, he says, is "a much more interventionist approach than is fashionable in England". He backs enthusiastically institutions such as the Welsh Development Agency and the Welsh Tourist Board.

David Hunt, the newly appointed Welsh Secretary (left), and Sir Anthony Meyer

The peculiarities of Wales were not lost on Mr David Hunt, the newly appointed Welsh secretary. He offered a speech with all the right noises for a minister in Mrs Thatcher's free-market cabinet. But it was intermingled with broad hints that he will follow the distinctive, interventionist pattern set by his predecessor, Mr Peter Walker.

"Positive partnership is my creed," he told delegates in an address littered with references to "our country."

On the announced closure of the Brymbo steelworks, he reiterated his strategy of finding ways of smoothing the impact with the help of development agencies – a strategy more recently followed by Mr Malcolm Rifkind the Scottish Secretary, over the closure of the Ravenscraig hot strip mill.

"One of the first things that was said to me on taking office was Croeso I Gymru - Welcome to Wales," Mr Hunt told delegates. "I want to give you a new message. Not just welcome to Wales, but welcome to a new Wales. – Croeso I Gymru Newydd."

At the conference finale there were no balloons tumbling from the ceiling.

Instead the audience rose and, with much reverence, sang the Welsh national anthem. Mr Baker stood speechless.

FT SATELLITE MONITOR

Advertising seen as crucial to size of the market

By Raymond Snoddy

MAY WAS a strong month for satellite television, with a projected 82,000 homes in the UK installing receiving equipment, 31,000 of them for British Satellite Broadcasting. The figures are from the FT Satellite Monitor.

A total of 883,000 households in the UK now have BSB, according to the monitor, which also suggests that the potential size of the market for BSB has increased after its extensive advertising campaign on television.

The percentage of households intending to install satellite television and saying they would choose BSB rose from 31 per cent to 41 per cent. The proportion choosing Mr Rupert Murdoch's Sky Television was 1 percentage point down at 37 per cent with 22 per cent undecided.

BSB was significantly stronger among those people aged over 45.

The survey shows that in June the "undecideds" had moved in favour of BSB, a five-channel satellite system in which Pearson, publisher of the Financial Times, has a significant stake.

The new total means that more than three quarters of a million satellite receivers have been installed in the past 12 months. One home in every 25 in the UK now watches satellite channels with its own dish or Squarial receiver, apart from those watching through cable television networks.

The vast majority are watching television from the 16-channel Astra satellite, which, apart from the four Sky Television channels, includes MTV, Children's Channel, Screensport and Lifestyle.

Mr John Clemens, chairman of Continental Research, which produces the Monitor based on interviews with 5,000 adults, says: "The level of installations is good and the expected drop-off anticipated during the summer months does not seem to be occurring."

Continental is forecasting a total of 1.3m satellite receivers installed by the end of the year, an average of 70,000 each month, split between Sky/Astra and BSB.

June also showed a slight improvement in the overall size of the potential direct-to-the-home market after months of decline.

In December 1989, those who had already installed satellite television or who said they definitely or probably would, totalled 4.29m or 20 per cent of all homes. By April, that had fallen to 3.4m or 15.8 per cent, a fall that continued in May to 2.8m or 13.2 per cent. The June figure was 2.96m or 13.6 per cent.

Mr Clemens says: "Over the past 18 months it has become clear that the size of the potential market fluctuates very much in accordance with advertising expenditure."

He argues further: "The start of the BSB campaign and Sky's response to this, may now start to return market potential to its earlier size."

UK NEWS

Prudential estate agencies face extensive cuts

By Barry Riley

PRUDENTIAL Corporation is on the verge of implementing the long-expected cuts in Prudential Property Services, its loss-making chain of about 575 estate agencies.

An announcement this week will foreshadow the closure of more than 100 branches, with the emphasis on those which lose the most money or which have overlapping territories. Several jobs will be axed with each office closed, although it may be that some employees can be redeployed elsewhere in the Prudential group.

The decision comes after the receipt of a detailed report commissioned last year from the management consultants Coopers & Lybrand Deloitte, and against the background of further weakness in house prices and depression in the residential property industry.

Last year Prudential reported that its estate agency chain lost £49m, and further heavy losses on a similar scale are inevitable for 1990.

Prudential was one of a number of financial institutions that began building up national chains of estate agents in the mid 1980s. In the Pru's case the objective was to build a high-street presence that would enable it to move up-market and become less dependent than in the past on its door-to-door sales force. There has also been persistent speculation about a move into the short-term deposit-taking business, perhaps through the purchase of a building society.

However, the calculations were undermined when the number of residential property transactions plummeted by more than half in last year's difficult conditions, although Prudential claimed that the "conversion" rate in terms of the 36 per cent of buyers that took out Pru mortgage repayment plans was quite encouraging. Some £250m was spent on building the chain which at one stage topped 800 branches and was Britain's biggest.

Last November Mr Joe Bradley, managing director of PPS, resigned after internal disagreements about the division's future, and temporarily the chain was run by Mr Mick Newmarch, who in April took over as chief executive of the whole Prudential group.

Recently Mr Brian Medhurst, a member of the main Prudential Corporation board, was given responsibility for PPS.

Already a substantial pruning of PPS has taken place, and the further rationalisation is Mr Newmarch's first serious test as chief executive.

Hospitals start to put faith in becoming self-governing trusts

Alan Pike reports on the latest stage in the NHS reforms

BY THE end of the month, up to 70 hospitals will have made formal applications to become self-governing trusts under the Government's health reforms.

They are what Mr Kenneth Clarke, Health Secretary, calls the first wave – hospitals that will spearhead the new arrangements by becoming trusts from the day the reforms come into force on April 1 1991. His opponents are also preparing to make waves, fighting the applications during a three-month consultation period that has to take place before Mr Clarke decides whether to approve them.

Mr Robin Cook, shadow health spokesman, has said that the Labour Party plans to turn local consultations into a series of "by-elections" on the health reforms. That will coincide with British Medical Association campaigns in areas where doctors oppose attempts to turn their hospitals into trusts.

From next April all hospitals – whether trusts or not – will be financed through contracts for treatment awarded by health authorities. Trusts will differ by being run by separate, businesslike boards of directors and will be entitled to own assets, borrow money and determine pay and conditions of staff outside national agreements.

Critics fear that such a commercial style will encourage trusts to concentrate on profitable activities, undermining the balanced provision of service across the country which is an NHS strength. Many doctors oppose the principle of trusts and the BMA says it knows only seven hospitals where consultants favour the idea.

The proposed contract-based funding system has made self-government particularly suitable for some specialist hospitals drawing patients from a wide area. One of these – the Alder Hey Royal Liverpool Children's Hospital – was among the first trust applicants.

The Alder Hey is Europe's largest children's hospital, with more than half its patients coming from outside Liverpool. Under contract funding, health authorities from elsewhere in the north-west, North Wales and the Isle of Man that send children there will have to pay negotiated rates for treatment.

Unlike many other hospitals, the Alder Hey's application is strongly supported by medical staff – 82 per cent voted in favour in a ballot.

One of the most highly charged debates is taking place at Guy's, a leading London teaching hospital, where managers have undertaken not to pursue trust status if a majority of consultants oppose it in a ballot that opened on Friday. In spite of a vigorous campaign by opponents, a committee set up by the Guy's consultants to examine the implications of trust status has come out in favour, and that may well influence the ballot result.

In some areas, doctors' opposition has contributed to decisions not to submit trust applications. Mr Barry Starkey, district general manager at West Norfolk and Wisbech, says proposals to establish a trust in the district have been deferred partly because of difficulties in establishing information systems in time, and partly because "consultants say they can see no point in pursuing trust status this side of a general election."

In urban areas, competition for contracts under the new funding system is a real possibility, and managers of potential trusts are already beginning to think in market – and marketing – terms.

Kingston Hospital, London – where senior medical staff have split 27-27 on whether to support trust status – is one of 23 district general hospitals within a 15-mile radius and the hospital's trust project team, working with Ernst and Young, management consultants, has carried out a market survey to discover how general practitioners and patients view the hospital.

Dr Ian Strickland, a member of the team, says that produced uniformly good reports on the quality of medical services but there was concern among patients about the hospital's decor and customer relations.

"It is clear that people find consultations in beige painted rooms which look like converted toilets unappealing," says Dr Strickland.

In addition to recognising the need to smarten up the buildings, the project team has developed guarantees for patients which the hospital, running as a trust, would undertake to deliver. No one would be kept waiting more than 30 minutes beyond a stated appointment time, and that would be followed by similar assurances on the maximum wait for treatment and operations.

That is precisely the sort of improved customer service that Mr Clarke hopes his reforms will bring the public. But with the move to funding through contracts next year all hospitals, whether trusts or not, will have to become more patient-friendly.

The number of hospitals and other NHS facilities, like community units and ambulance services, becoming trusts in April will be small – considerably smaller than this month's 60-70 probable applicants. But the logic of the Government's reforms, separating health care funding from its provision, means that self-government is likely to form the eventual model for hospital management throughout the NHS.

Guy's Hospital: scene of one of the most highly charged debates

Business failures up 30% to 10-year high

By Charles Batchelor

THE RATE of business failures in England and Wales rose to its highest level for 10 years during the first six months of 1990, according to Dun & Bradstreet, the business information group.

More than 11,600 businesses failed, an increase of 30 per cent on the same period last year. That compares with an increase of only 0.4 per cent between the first halves of 1988 and 1989.

It would appear that small businesses are faring worst, as the demise of one large company may lead to the failure of several smaller suppliers, Mr Philip Mellor, the marketing manager, said. Inflation and high interest rates mean that many small companies are being paid late.

The worst-affected regions were the east and south-west. Business failures in the eastern region rose by 61 per cent to 518 in the first six months of this year over the same period last year, while those in the south-west rose by 54 per cent to 1,379.

The south-west accounted for 15 per cent of all failures in England and Wales, compared with 10 per cent in the first half of last year.

The least affected areas were the north-east and Wales, where each region recorded an increase of only 4 per cent in business failures.

London and the south-east recorded 5,212 failures, an increase of 33 per cent on the same period of 1989. That accounted for 46 per cent of the total for England and Wales.

Commenting on the report, the Confederation of British Industry said that a large number of business failures might, paradoxically, signify a healthy economy – reflecting an efficient free market environment in which numerous new ventures were started, some surviving while others died.

The CBI said: "By and large we're living in a world of very intense competition, and one of the good things you can say for British industry is that it is extremely competitive.

"It would be ludicrous if there were no failures, because it is the spur of competition that makes for efficiency in a free-market economy."

Umist strengthens links with northern industry

By Ian Hamilton Fazey, Northern Correspondent

THE TOTAL yearly economic output of Manchester's universities, colleges and polytechnic is likely to be at least £1bn by the end of the century, according to Professor Harold Hankins, principal of the University of Manchester Institute of Science and Technology (Umist).

He estimates that by then Manchester will have the largest combined higher-education campus in Europe. There are already nearly 40,000 students in the city. Prof Hankins says the £1bn is made up of items such as staff salaries, grants, and research contracts.

As well as Umist, the campuses include the universities of Manchester and Salford, Manchester Business School and the city's polytechnic.

Umist's own contribution to growth will include 1,000 extra students to take its own numbers to 5,600. It is also strengthening its links with industry through new chairs endowed by northern industry.

To fund the expansion, Umist has brought in Professor Roland Smith, a former teacher at the institute and now chairman of British Aerospace, to head its Millennium Project, the aim of which is to raise £25m over the course of the next 10 years.

The fund now stands at £6m, a quarter of it raised since last October. Prof Hankins yesterday announced that Polly Peck International, the food and electronics conglomerate, was the latest contributor, with £300,000 to set up a chair in international business studies.

Prof Smith said that the aim of the fund was to improve the relationship between industry and universities. "Business has been far too disinterested in the work of universities in the post-war period."

He continued: "We have got to develop the university-industry relationship. Industry has a responsibility to get closer. We require high-quality output from higher education. We cannot develop our businesses without good graduates."

Activity study of older citizens

By Alan Pike, Social Affairs Correspondent

THE difficulties and opportunities facing Britain's increasing numbers of older citizens are to be examined in a three-year project.

It will be the most extensive inquiry yet conducted into issues related to the so-called "third age" – the period from the beginning of retirement to old age at around 75 – and is likely to have implications for employment, health, housing and many other policies.

Initial funding for the inquiry, which is estimated to cost £750,000, has come from the Carnegie UK Trust. Further support has been pledged by other foundations and many of Britain's leading voluntary organisations will collaborate on the research.

Members of the advisory committee directing the work include Sir Donald Acheson, the Government's chief medical officer, and Mr Anthony Cleaver, chairman and chief executive of IBM UK.

Demographic changes are leading to a big increase in the proportion of older people. About 25 per cent of the UK population, and 32 per cent of adults, are in the 50-75 age group.

Mrs Terry Banks, who retired recently – at the age of 57 – as registrar general and head of the Office of Population Censuses and Surveys, will direct the inquiry.

She said the inquiry would seek ways of enabling people to overcome potential obstacles and "lead active lives combining paid work, community activities and leisure as they wish, perhaps improving their financial position in the process."

It must be in everyone's interests, said Mrs Banks, to enable people to remain in full or part-time work longer, rather than expect a declining proportion of younger people to support a growing retired population.

A Gallup survey of personnel directors had shown that while more than 90 per cent of employers feared a recruitment crisis over the next 10 years because of a falling number of school leavers, only 14 per cent were looking to people aged over 50 to fill vacancies.

Tory journal pillories poll tax

By Ralph Atkins

AN ATTACK labelling the community charge a "political and financial disaster" appears today in a magazine representing many of the Conservative Party's own supporters.

Crossbow, the quarterly journal of the Bow Group of centre-right Tories, calls in its editorial for a full-scale and independent review of the role of local councils. It says that a "policy vacuum" in thinking on local government has led to 13 different systems of finance since 1979.

The strongly worded editorial, while not necessarily representative of the more than 100 Tory MPs who are Bow Group members, underlines the pressure the Government is under to radically rethink the poll tax.

Mr Chris Patten, Environment Secretary, is expected shortly to announce the results of the Cabinet-level review of the present system, but any changes to its structure are expected to be small-scale.

Crossbow says: "The sound principles of local accountability upon which the charge was based have been swamped by protests about the cost and unfairness of the scheme."

The practical and political difficulties of introducing the charge were underestimated, the magazine says, and the Government has found itself spending heavily to alleviate the burden of the community charge.

"The reason for rejecting local income tax as an option was that it would weaken the Government's capacity to manage the economy as a whole and cut across broader fiscal objectives. It is ironic that the community charge is posing an identical threat."

Air anti-tank weapon is cancelled

By John Authers

THE Ministry of Defence has abandoned a multi-million-pound project for airborne anti-armour "smart bombs."

The decision is a result of the "Options for Change" review of defence carried out in response to political developments in eastern Europe.

The weapon, the SR(A)1238, would have been carried by the Tornado, Harrier and European Fighter Aircraft.

Offers were made by the defence contractors Hunting Engineering and GEC-Marconi when the project was first defined in 1987.

Marconi put forward the Brimstone system, which it manufactures, while Hunting Engineering offered Swarm, which it builds in conjunction with Honeywell, the US controls maker. Both systems already exist.

Mr Alan Clark, Minister for Defence Procurement, disclosed the decision in a parliamentary answer to Mr Hugh Dykes, Conservative MP for Harrow East.

Vauxhall cuts Ford's fleet lead

By John Griffiths

FORD'S lead in the UK fleet car market was cut dramatically in the first half of this year and, for the first time in any six-month period for more than a decade, a Ford model is not the top seller.

Second-placed Vauxhall closed to within 5 percentage points of Ford's 35.83 per cent share of the sector during the period, and the Vauxhall Cavalier overtook Ford's Sierra to become the UK's best-selling fleet car. Ford's overall lead was nearly 13 percentage points last year, and more than 21 points a year earlier.

Ford's increasingly embattled situation in the fleet market, in which Rover Group is also gaining ground, is mirrored in the new car market overall, where its share has shrunk to 25 per cent from its "traditional" 30 per cent.

The fleet sector – sales to companies operating 25 or more cars – accounted for 357,654, or 33.5 per cent, of the UK's total 1.07m new car sales in the first half. The sector assumed increasing importance to manufacturers this year as high interest rates have sharply reduced new car demand from private buyers. Last year fleet sales accounted for just under 30 per cent of the total market.

For the first time, even the combined sales of the Ford Escort and its "booted" version, the Orion – which Ford has always marketed as separate models – would not have been enough to demote the Cavalier from first place.

The Cavalier took 15.96 per cent of all fleet sales, compared with 12.97 per cent for the Sierra and 12.57 per cent for the Escort/Orion.

In spite of a plethora of promotional campaigns and "special offers," Ford is unlikely to alter the position significantly until its new Escort/Orion range goes on sale in this year's final quarter. A replacement for the Sierra is not due until 1992.

The statistics show how difficult it remains for Nissan to penetrate the sector, in spite of the now well established presence of UK manufacturing operations at Sunderland.

Nissan's share of the sector fell back sharply in the first six months of this year to 1.05 per cent from 1.42 per cent in 1989. But it hopes for some improvement with its introduction of the Primera, a Sunderland-built model now replacing the Bluebird.

UK FLEET CAR SALES (first half 1990)

	SALES	%
Ford	128,145	35.83
Vauxhall	110,309	30.84
Rover	61,027	17.06
Peug/Citroën	24,274	5.79
Renault	11,486	3.21
Audi/VW	9,460	2.65
Fiat	4,791	1.34
Nissan	3,746	1.05
Volvo	1,446	0.40

TOP TEN SELLERS

	SALES	%
1.Cavalier	57,084	15.96
2.Sierra	46,378	12.97
3.Escort	32,814	9.17
4.Astra	32,649	9.13
5.Fiesta	23,730	6.63
6.Rover 200	18,619	5.21
7.Montego	14,025	3.92
8.Granada	13,054	3.65
9.Metro	12,856	3.59
10.Orion	12,169	3.40

Source: Industry figures
Percentages are of total fleet sales

Drive to promote hard Ecu gathers pace

By Anthony Robinson, Economics Staff

THE Government's struggle to promote its evolutionary "hard Ecu" approach on European monetary union gathers momentum this week.

While Mr John Major, the Chancellor, presents his plan to finance ministers at the Houston summit, Mr Robin Leigh-Pemberton, Governor of the Bank of England, will use the regular monthly meeting of the Bank for International Settlements (BIS) in Basle to explain the finer points of the Major plan to sceptical governors of EC central banks.

He is to address businessmen and the European Parliament's specialist currency group in Strasbourg on Wednesday.

The UK plan, first put forward by Mr Major last month, and reinforced in his speech to Welsh industrialists on Friday, calls for the creation of a "hard Ecu" to circulate as a parallel currency to the 12 existing EC currencies, and the establishment of a new European Monetary Fund to manage it.

The new currency would not replace the existing Ecu, a notional currency with a value determined by the average of a basket of all European currencies, but would be real money with its value linked to the strongest of the existing national currencies.

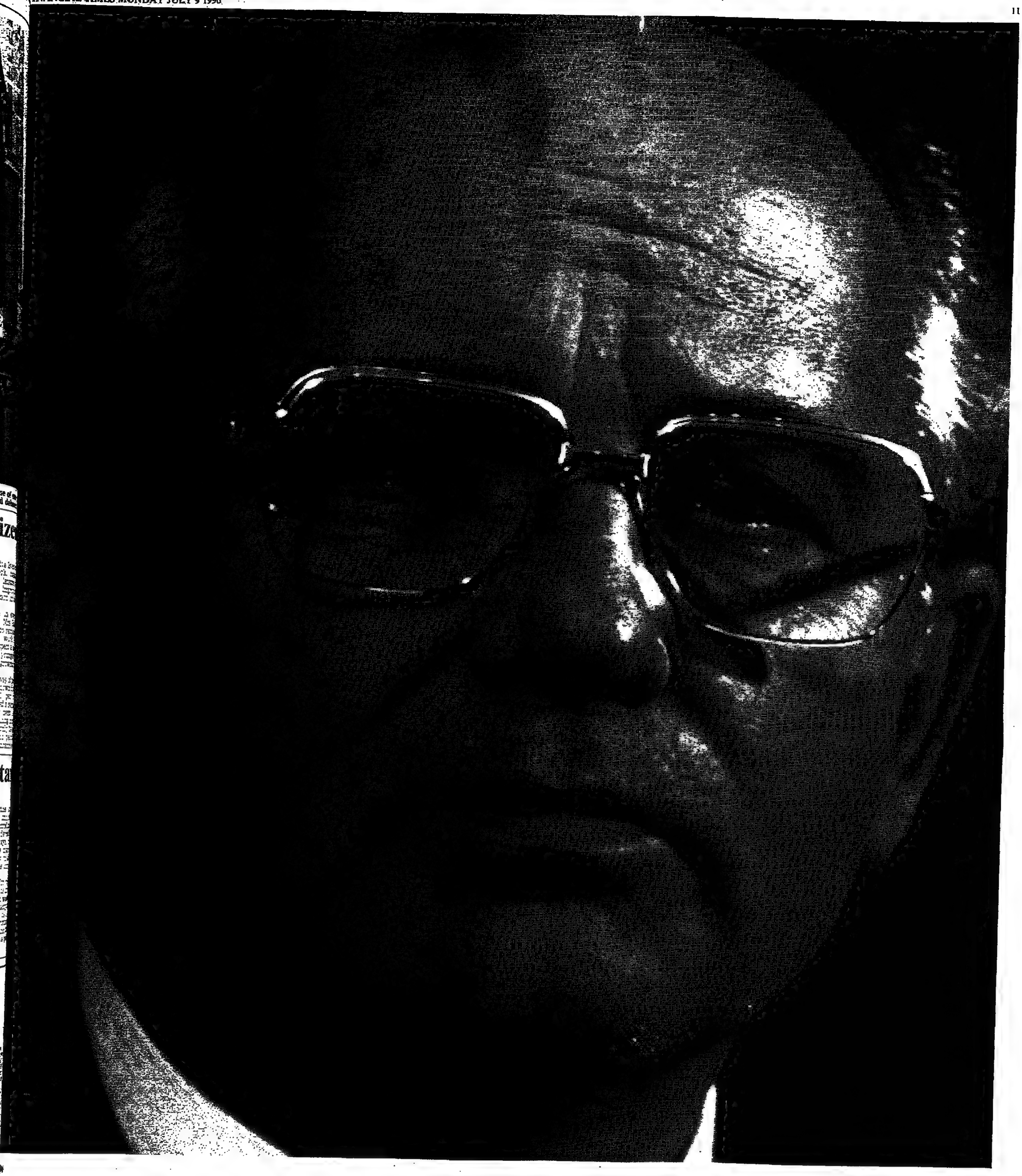
Thus far, the details of the plan have only been spelled out fully in private to Mr Karl Otto Pöhl, President of the German Bundesbank, whose initial scepticism reflected German concern about both the complexity and the possible inflationary aspects of an Ecu-based system.

The D-Mark plays a key role as the anchor currency in the European Exchange Rate Mechanism (ERM) and Mr Pöhl told a House of Lords sub-committee last week that Germans would not accept a new currency or a new central bank unless it was at least as good as the D-Mark and the Bundesbank in defending the value of their money.

Although the latest attempt to explain the fine print of the Major proposals is aimed principally at persuading finance ministers and central bankers that the plan is both workable and non-inflationary, discussion will inevitably raise some fundamental political issues.

As Mr Major emphasised on Friday, the UK plan is philosophically far apart from the Delors report on monetary and economic union.

It is being presented as an evolutionary approach in contrast to the "big bang" theory of monetary union, imposed from above, which UK officials argue is simply not likely to happen soon, given the wide degree of political, economic and social divergence between community countries.



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MANAGEMENT

Wells Fargo

A scene of domestic bliss in California

David Lascelles assesses the US bank's plans for consolidating its position in its home state

The hallway to the Wells Fargo bank building in San Francisco must be one of the most eye-catching in the business. Complete with genuine Wild West stage coach, bullion boxes and other trappings of the 1849 California gold rush, it captures all the thrills of the Wells Fargo name.

But if Wells Fargo is a bit of a legend, it is for different reasons these days. Over the past 10 years the bank has developed a reputation for individuality which might even look idiosyncratic were it not for the impressive results that appear on the bottom line.

Deciding, in the words of its president, Paul Hazen, that it is "grateful to be located in this state," Wells has steadily abandoned its international outposts and has concentrated virtually all its resources on California. Last year, it sold its four remaining overseas offices (in Hong Kong, Singapore, Tokyo and Seoul), disposed of all but a vestige of its Third World loans and proclaimed itself a truly domestic bank.

So much so that when the chairmen of the world's 100 largest banks gathered for their prestigious International Monetary Conference in San Francisco last month, no one from Wells turned up. "We can think of better ways of spending our shareholders' money," said a member of the bank's staff.

The architects of Wells' strategy are Hazen and his chairman, Carl Reichardt, who proclaim in their latest annual report: "Wells Fargo wants to become simply the best bank in the West."

The strategy evolved from the belief that banking success should be measured not in terms of size, global reach or even sophistication, but profitability. Although many banks now pronounce that to be their goal, Wells was one of the first, and most thorough, to act on it. Profitability, it decided, could best be achieved by focusing on selected markets where the bank could provide a few services well, and at extremely low cost.

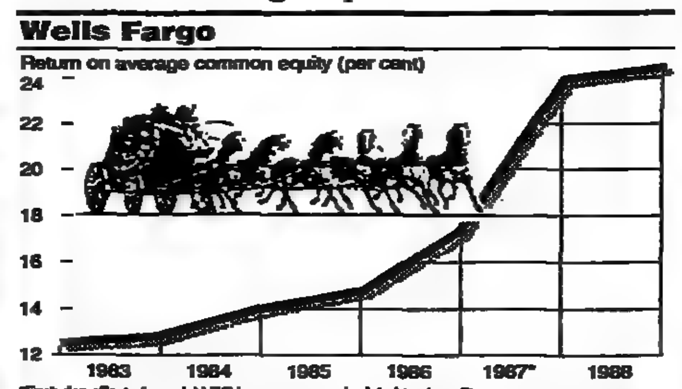
Wells was indeed fortunate to be located in a market – California – that is itself almost a country of its own, with a population of 28m. This gave it a stronger justification for withdrawing from the international scene.

Wells was also fortunate in its timing. The 1980s were disastrous for all but the strongest banks in California because of the recession early in the decade. As other banks wobbled or withdrew, Wells used its financial strength to expand its market share.

It bought Crocker National Bank from Midland Bank after the UK clearer was forced into an ignominious retreat; it also bought Barclays Bank's retail bank in the state. The wellpublicised travails of its main competitor, Bank of America, gave it further advantages – and allowed it to buy the bank's trust business as well.

Over the past 12 months Wells has bought a further four banks in the state, and is keeping alert for more acquisitions. It has even been rumoured to be contemplating a bid for First Interstate of Los Angeles.


Carl Reichardt



*Excludes effect of special LDC loss reserve and related tax benefits

Wells' infatuation with California is such that it has not even taken advantage of the relaxation of inter-state banking barriers to expand in a big way into neighbouring states.

It did take a close look at First Republic Bank, the troubled Texas bank, when it was up for sale, but that came to nothing. "The economy of San Diego county is bigger than the entire state of Oregon, so it makes more sense to concentrate on where we are," says Robert Joss, the bank's vice-chairman.

Though cost control is a main preoccupation, the fundamental consideration behind each of Wells' strategic decisions is "Will it help us dominate the California market?" he says.

Wells has focused its efforts on the retail and smaller company market, where deposits are to be gleaned, and lending margins tend to be wider. It markets its services with unbankerly forthrightness. Branches are open from 9am until 6pm, and customers who have to queue for more than five minutes are given $5.

However, customers are not encouraged to use branches because they are expensive to maintain. Cash machines abound, and there is a 24-hour-a-day, seven-days-a-week bank-by-phone service through which customers can obtain 130 different kinds of services.

Although other California banks claim to have been first with some of the ideas Wells has applied, there seems to be general agreement that, of the state's large banks, Wells has exploited them most thoroughly and to greatest effect.

The meticulous attention to costs has enabled Wells to keep its overheads to levels well below those of its rivals and to absorb additional businesses without having to expand its infrastructure unduly. According to analysts at Goldman Sachs, Wells Fargo had the lowest ratio of expenses to total income of the 42 largest US banks it regularly ranks.

Last year, this ratio was 53 per cent, well below that of its nearest rival, Fleet/Norstar of Rhode Island with 59.9 per cent. More significantly, Wells' ratio was also well below those of its biggest California competitors, Bank of America and Security Pacific (both with 63.8 per cent) and First Interstate (69.5 per cent).


Paul Hazen

Wells' skill at buying new businesses and absorbing them has also enabled it to raise its return on capital by significant amounts. Following its biggest acquisitions (of Crocker and Barclays California in 1986/87), its return on equity soared from 14.8 per cent to 24 per cent.

But this ruthless attention to returns also has its drawbacks. Wells is acquiring a reputation as a tough employer – a place where staff are set ever rising goals. "It's a real sweatshop," says a former employee.

This, not surprisingly, is denied by Rodney Jacobs, chief financial officer. "Our employees work hard, but they are well compensated," he says.

Wells' expansion drive still leaves it some way behind Bank of America. It has just under 500 branches, compared with B of A's 850. The bulk is in the north of the state, leaving it wanting more in the south. This would be less of a concern were it not that B of A is now back on the road to recovery and is likely to exploit its dominant position with much greater force.

Also in prospect is the lifting of inter-state banking barriers next year which will allow non-Californian banks virtually unfettered access to the market. It is still not clear how big an effect this will have.

Citicorp is known to want to expand its presence quite sharply. But will it have the resources to mount a big attack? And even if it did, there are not that many big banks available for it to buy.

The other concern expressed by analysts about Wells' outlook is the quality of its loan book. Its share of real estate loans and highly leveraged transactions (HLT) is high. It is one of the few large US banks which has an HLT exposure larger than its capital (in its case about 1⅛ times its equity).

According to Joss, this is the logical consequence of Wells' policy of pursuing the local corporate market where demand for real estate and buy-out financing is strong. Wells also has a policy of keeping its HLT deals on its own books and thereby also retaining all the fees, rather than re-selling participations to other banks.

These exposures make Wells vulnerable to a downturn in the Californian economy. But although some parts of the real estate market show signs of softening, and cuts in military spending could hurt the local defence industries, the state continues to show growth.

Joss stresses that the consumer side of the economy remains strong, with 400,000 jobs added last year. HLT losses were "almost negligible," he says.

For other banks, the interesting question about Wells' retreat internationally is whether this has cost it good corporate customers.

Wells' answer is that it has no need to be an international bank. It can refer clients with overseas needs to other banks. For this reason, Wells has forged a link with the Hongkong and Shanghai Bank which gives it access to 1,300 branches in Asia. In return, Wells gets Hongkong Bank's Californian retail business.

Wells has also formed a joint venture with Nikko, the Japanese securities house, to market its expertise in index fund management internationally.

So it is not strictly true that Wells has completely withdrawn from the international scene. But it is clear where its future lies. "There's a lot more rationalisation to go in the Californian market," says Joss. "If anyone could become the dominant bank here, it would be a wonderful thing."

Safety first – first thing in the morning

Conoco gives top priority to its record. **David Thomas** explains how this pays off

One manager and one manager alone reports first thing every morning to Robert McKee, chairman of the UK subsidiary of Conoco, the US-based oil company.

That person is not Conoco's finance director or its operations supremo. The honour falls to Sally Rothwell, the company's safety manager, who briefs McKee every morning on any incidents or problems in Conoco's operations the previous day.

"No other manager in the company reports to me as a matter of routine on a regular, daily basis, and she interrupts whatever I am doing to do so. You would see that if you happened to be in my office at 9.00 in the morning," McKee told delegates to the FT's North Sea Oil and Gas conference last week.

McKee was speaking on the management of safety. It is a subject which has been at the top of oil companies' agenda since the Piper Alpha disaster two years ago. It is also an area where Conoco is acknowledged as an industry leader even by the company's competitors.

Making safety a boardroom responsibility is at the heart of Conoco's approach. "It's silly to ask any employee of any enterprise to value and pursue a particular objective, especially an over-riding one, if they can't see a genuine and total dedication to safety from the top," McKee explained.

McKee, who views himself as Conoco UK's chief safety officer, is also duty-bound to report to his boss any accident severe enough to cause the loss of a working day. "As a matter of course my senior director in the US hears about it immediately. It'll also reach the ear of the chief executive officer of Du Pont (Conoco's parent) by the next day."

McKee briefs himself to be ready to answer questions on accidents from his US superiors. Follow-up accident investigations, together with recommendations for action, are also transmitted up the line. "No other news within our business, however important, is required to move so quickly to the top," McKee says.

This reporting procedure is intended to underline top management's view of safety as integral to the business. McKee explains: "Safety is not something that can be grafted on afterwards like a coat of paint or a new module."

This commitment is reflected in the way individuals are assessed. Of the 17 items listed on Conoco's annual employee appraisal form, attitude to safety is the first to be measured and discussed. "The manner in which individuals fulfil their personal responsibilities for safety has a significant bearing on their advancement within the company," McKee asserts.

It also flows through into a highly formalised procedure for monitoring safety within each operation. Safety performance standards are laid down for every potentially hazardous activity, following discussions with the relevant managers and operators.

All Conoco's operational managers conduct regular internal safety audits, which are supplemented by a safety committee network, the minutes of which are transmitted to Conoco UK's headquarters in London. In addition, an annual safety audit of all Conoco's offshore platforms is carried out by senior managers, including McKee, and by experts from Conoco's safety division in the US. McKee says he makes a point of raising safety matters first during his regular visits offshore: "There is always time to hear later about operating successes, profit objectives and so on."

Lest all this seems too good to be true, McKee stresses that it makes good business sense. Indeed, he has even tried to put a monetary value on the benefit of taking safety seriously.

McKee has calculated the difference between the number of working days lost due to injury at Conoco and those at other large US oil companies. Using published data on US compensation costs for accidents, McKee estimates that Conoco's safety regime boosted the company's profits by $8m in 1985, the latest year for which such a calculation has been made. Conoco would have had to clock up another $180m in sales to generate those extra profits.

McKee admits that these figures are rough-and-ready. But he reckons they are precise enough "to make nonsense of any suggestion that one can ever save money by cutting down on safety."

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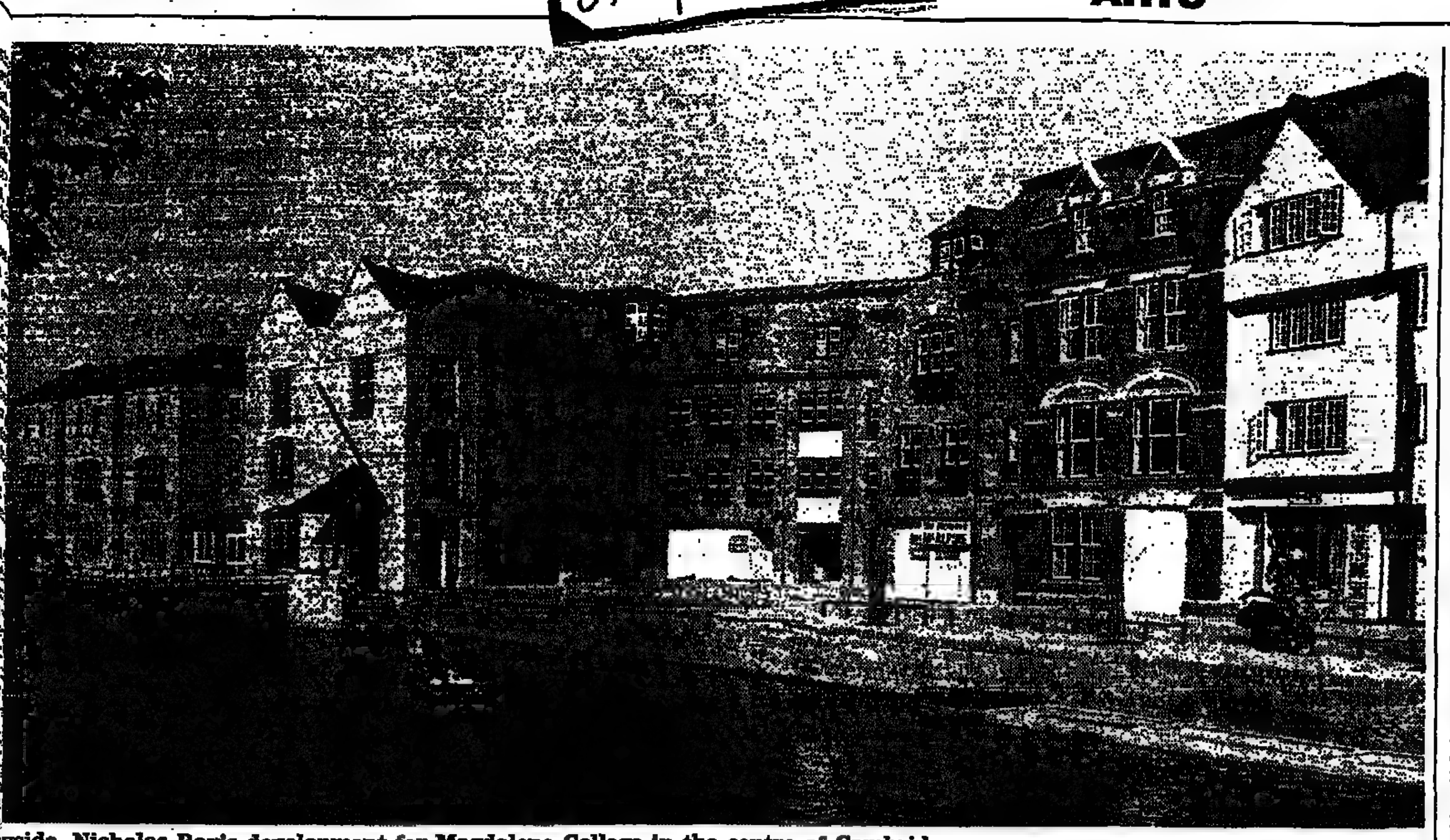
ARTS



Quayside, Nicholas Ray's development for Magdalene College in the centre of Cambridge

ARCHITECTURE

College exercises patronage with care

There was another royal architecture event last week but this time it was a relatively routine duty for The Duke of Edinburgh as Chancellor of Cambridge University. He was declaring open an important new building on a sensitive site almost in the centre of Cambridge.

Quayside is the name of the development which has been built close to Magdalene Bridge and opposite the brick buildings of Magdalene College. The Duke of Edinburgh kept a royal silence on the architectural merits of the new development but it is a scheme worth anyone's attention. I wrote about it in 1984 as the result of a competition Nicholas Ray as a partner in the Cambridge firm of ...es and Bicknell, won the commission from Magdalene. Nicholas Ray is now practising as Nicholas Ray Associates and having completed Quayside, this independent Cambridge firm is well placed for both commercial and academic ...

It may seem surprising that the gestation period for a commercial scheme for a college should have been quite so long. The process has been a complicated one, but that is part of its interest. The college needed a financial partner to develop the scheme, which is often the problem for older institutions that own land but may not have the necessary commercial back-up. The story revolves to a large extent around the architecture. The cry often goes up: why are commercial buildings so bad, why are the clients so irresponsible, why more rent collecting slabs? The answer so often is that those who fund development are largely anonymous figures in banks, insurance companies and pension funds who merely apply a formula to development. The amount of "net lettable" is far more important than any measure of aesthetic quality. This is where the architect comes in and he is expected to produce a building that will fit a commercial formula which is often a tired one, produced in a routine way by a surveyor or an estate agent. It is the same for mortgage companies and new houses – houses have to look as conventional and safe as possible before there is any chance of a loan.

In the case of Magdalene College in Cambridge, the college could see the commercial potential of the site but by choosing to follow the course of an architectural competition it ensured that the quality of the design played a larger role than is usual in commercial development. Once the design had been approved by the college and received detailed planning consent from the city, it made sense to create a joint company with a developer. The arrival of Trafford Park Estates plc made it possible to form a new company, Quayside Limited, to achieve the jointly agreed aims of both parties.

The scheme consists of two phases: 44,000 square feet of commercial offices with shops on the ground floor; and the conversion of some listed early 19th-century houses into undergraduate accommodation. Magdalene Bridge was the Roman crossing point in Cambridge and the area now occupied by Quayside was always a scene of riparian commercial activity.

What you see today is a group of carefully detailed brick and stone buildings that are appropriate to the character of Cambridge. They wear their gables and dormers as a warm and comforting coat over the steel frame. Architecturally, I suppose it is a wolf in sheep's clothing; but do we want a slab of offices showing its bones in the heart of a medieval town? This remains a difficult question. If the college had asked in its competition for acres of steel and glass, would they have found their financial partners and would they have secured a planning consent? There are already too many commercial developments in Cambridge that are deeply unworthy of the town – and watch out for the horrors of the new hotel and car parks now being built right in the centre. Cambridge is not Slough.

There is much of the everyday character of Cambridge in the new Quayside building but it has an additional quality of satisfying architectural austerity about it. The pleasing pedestrian progress through its court and paths is entirely in tune with the character of the city. The hand made bricks, the ingenious lead clad steel louvres that enable tenants to add their own air conditioning and the trim of Guiting stone are all evidence of the hand of a skilful architect.

There are plenty of very ordinary small commercial developments in Cambridge and some very bad ones that are unworthy of the town. Colleges own so much of the city that it is vitally important that they exercise their patronage with care. They are often in an unusual position as guardians of some of our finest architectural patrimony and as owners of land with immense development potential. As educational institutions with charitable status they are also in a rare position to instigate joint developments with commercial interests while holding the reins to ensure only developments of high quality. The danger of so much straight forward commercial development is that no one with any interest in anything other than profit holds the ring. The college here has, with the help of a good architect, maintained standards.

There are lessons here for other large land owners and estates that could help them to assume the mantle of creative patronage. Joint developments are not so rare. What is rare is to have found a working method and a structure that has kept architectural quality to the forefront. Owning land has always involved responsibilities and a major one of them is architectural quality and how to ensure it. Buildings do tend to last longer than bank managers ...

Colin Amery

BOOK REVIEW

The man who pushed jazz through creative barriers

MILES: THE AUTOBIOGRAPHY
by Miles Davis
Macmillan £13.95, 421 pages

Miles Davis has always been a perverse genius, doing things his way and damn the fans. ... most show business biographies are etched in a glow of wonderful times and amazing personalities ... spares no one, least of all himself.

He has been a drug addict, a ..., a wife beater. He has been shot at, often jailed, and ...ed by the police. His family and friends come out no better. Davis got on badly with ... mother while his musical mentor, Charlie Parker, was an ...acious scrounger.

Davis treats his wives and hundreds of girl friends appallingly, using them primarily as a source of money to buy the heroin and cocaine which for years ruled his life. Arranging to meet a great love, Juliette Greco, after a long absence he turns up at her hotel room with a friend, the drummer Art Taylor, and immediately asks her for money for drugs.

None of this is shirked in one of the most relentlessly honest and credible of musical biographies. It is as if Miles Davis has sat down in front of a tape recorder and spat out with expletives the unvarnished routine of a jazzman's life, a routine apparently totally driven by hard drugs, alcohol and an obsession with the music. By the end he has somehow secured from the reader the one thing he has most sought – respect, a quality not over-abundant in an America which Davis sees as deeply racist.

Miles Davis's revolutionary musical career reflects his origins. He was no poor black but the son of a respected dentist in East St Louis. In 1944 at the age of eighteen he went to the Juilliard, New York's leading music school, and although he soon dropped out to play jazz with his idols Dizzy Gillespie and Bird Parker, his academic knowledge never left him and enabled him to push jazz through creative barrier after creative barrier. But there is not much about musical theory here or how the great albums came to be made. Davis throws out quite casually that he decided to introduce modal music on probably the greatest jazz album ever made, *Milestones*, and later acknowledges that Stockhausen inspired him towards the experimentation in the 1970s when his band would sometimes spend five minutes exploring one chord.

But with total recall Davis tells of his life and the things that have mattered to him – which means jazz, drugs and women, with jazz probably just dominant although there were five lost years after 1975 when he never picked up his trumpet, so deep rooted was his drug dependency. And it is the music that redeems his life, and makes him somehow an heroic figure.

Davis has always encouraged the young and responded to the new and he recognised early the talent of Jimi Hendrix and Prince. And he has this unconventional honesty – he likes Nancy Reagan while being critical of Uncle Tom blacks like Louis Armstrong who hardly merits a mention.

Miles Davis has paid a heavy price for his genius but, unlike many of his fellow jazz musicians, he now seems to be enjoying his unexpected survival.

Antony Thorncroft

The Intelligence Park

ALMEIDA FESTIVAL

Nowadays operas, unlike plays, never close after their first nights except by prior design; getting a new opera put on may be hard, but getting it taken off again is practically impossible. Thus *The Intelligence Park*, Gerald Barry's "opera in three acts" to – or at least juxtaposed with – a libretto by Vincent Deane, is to enjoy three more performances at the Almeida, and another four in Dublin. Well, it's a funny old world.

To describe the various factors of the piece is to risk implying that the net result might be *interesting*, rather than the comprehensive nullity which it is. With deadly precision, each part of it cancels out another. An analogy is not easy to imagine: perhaps *On Dover Beach* mimed silently by Roger Scruton over a didgeridoo. Deane's text is elaborate 18th-century pastiche (sedulous down to the antique spellings), chock-full of dusty Classical references and mock-epigrams – the sort of thing which was long confined to readings at undergraduate literary societies, until Peter Greenaway took it up on film.

Insofar as there's a plot, it concerns a penurious composer who needs to marry an heiress, but is distracted by his passion for a castrato. Needless to say, he is writing an opera in which his erotic problems are vaguely mirrored; we are treated to long bits of it, sung entirely in Italian by his characters Wattle and Daub (Beckett-ish names, but really a Joycean whimsy), who are also the castrato and the heiress.

There is precious little action, nor any resolution, and the director David Fielding does his level best to keep it obscure and inconsequent. The settings by Bettina Munzer contrive to be at once cumbersome and obtrusive, and yet aridly empty.

All that intricate wordplay is set by the composer Barry with innocent brutality, for his questing spirit has lately discovered Minimalism. Heedless of scansion and sense alike, he has the text declaimed to the familiar repeated patterns, much more often than not in relentlessly even note-values. The 15-strong orchestra is generally very loud, and rawly scored; fearing that the odd word might yet escape and reach the ear, Barry has hit upon the device of adding a unison trumpet, horn or trombone to the main solo lines. It is possible that the conductor Robert Houlihan was over-enthusiastic, for after the interval the dynamics were moderated to the point where friendly little musical forms could be heard in contrasting succession, if not to any dramatic purpose.

The story would seem to suggest some titillating lubricity, but if there are Mrs Grundys in Dublin they will be disappointed. As the castrato Serafino (modelled upon the famous Senesino, apparently) the counter-tenor Nicholas Clapton – who sings agreeably enough – does a well-deserved Julian Clary impersonation, but eroticism doesn't get a look-in. As the composer Paradies, Richard Jackson is soulfully exacerbated, adding a note of sincerity found neither in the libretto nor the music, and brandishes what seems to be more than the normal human quota of teeth.

Angela Tunstall is plucky as the heiress and Daub, but we knew already from the programme-synopsis that it was a lost cause: in Act 3, "Serafino and Jerusha shuttle between their own identities and those of Wattle and Daub." *What* identities? In what were they supposed to reside?

The tenor Paul Harrhy was luckiest. As passive Friend of the Hero, much as in any number of J.P. Donleavy tales, he had little to do but did it wryly, and his appealing Irish tenor was for some reason spared the scorched-earth treatment that the instrumental writing meted out to every other principal. There were valiant contributions from Buddug Verona James – no, not a character but the actual mezzo – and Stephen Richardson, dying repeatedly of apoplexy.

We felt for them all; but we thought we deserved a lot of sympathy too – especially if we were sitting in Stalls Right, just in the band's direct line of fire.

David Murray

Songs of Praise

ALMEIDA FESTIVAL: UNION CHAPEL, ISLINGTON

The unity that's now being rediscovered in Berlin city is reflected in Arvo Pärt's new *Berlin Mass*. Estonian-born and since 1982 resident in West Berlin, he composed this for Berlin's "Catholic Days" this year. On Saturday night, in Islington's Union Chapel, the Theatre of Voices, which gave that Berlin premiere, introduced it to Britain. For four voices and organ, it's an immediately impressive and likeable work, a modern architecture full of light, space and history, combining scale with humanity. In these and other ways, it proves a calm, lucid contrast to the *Berlin Requiem* of Kurt Weill.

Its vocal lines recall now plainsong, now Poulenc's religious music, now pre-Romantic composers from Monteverdi to Mozart. Its character is simple. Seldom more than one note to a syllable; seldom more than one word at a time from the different voices. There's an especial lullaby charm to the trochees of the "Veni Sancte Spiritus," sung as a round. One singer shows the vocal line, while another joins for just a word; and so on, round the four voices, until gradually Pärt weaves them all together. There are solos: "Et in unum" for the tenor (Paul Agnew) in the second Alleluiah section, and the opening to the final Agnus Dei for soprano (Pat Forbes). But the main spirit is one of co-operation in wide-spaced harmony and folk rhythm.

This Theatre of Voices concert was entitled "Songs of Praise" – justly. Immediately before the Mass, there was the premiere of Henryk Mikolaj Górecki's revised version of his 1982-85 "O Domina Nostra" for soprano Forbes, singing from the Chapel pulpit, and organist Christopher Bowers-Broadbent, seated beneath.

Here is another architecturally conceived work, evenly shaped from its opening pedal D to rise to one level, then to rise to a climax, to fall and then to fall again. That overall, arching shape is also heard in the vocal line of the several "O Domina Nostra" sections.

The intense peak of the work, with trumpeting organ, comes in the singer's calls of "Coaromontana – Victoriosa – Regina nostra – Maria." And just as its plan begins to seem too schematic, the final "Sancta Maria, Ora pro nobis" moves into a new, encompassing rapture, with the soprano's rising intervals, jumping higher each time.

Before the interval, Bowers-Broadbent had played Pärt's *Mein Weg hat Gipfel und Wellentaler*, which so clearly suggests travel with its use of ascent, evenness and descent, and of different speeds, and Górecki's first Cantata, with its harsh effects of stress, sustained tension and sudden brief silences. These two organ solos were sandwiched by three songs by John Cage. The central *Litany for the Whale* is a wordless duet for two male voices, four vowels and one consonant, as unlike the "Rossini" Cat Duet as can be. It's two whales singing an Alleluiah to each other, and it should be ludicrous – but it's not. Its sense of wordless communication and listening, its silences, its use of a basic five-note pattern, with echoes, repeats, reversals and its fading phrase-endings prove to be haunting.

Like "The Year Begins to be Ripe" and "Wasps are Building," lyrically chanted arrangements of texts from Thoreau's Journals, it fills one with wonder with life untouched by man and with a love of all living things.

Alastair Macaulay

Six Characters in Search of an Author

CHICAGO LYRIC OPERA

The Chicago Lyric Opera has declared its last season to have been the most successful ever, with the 3500-seat house sold out at 103 per cent capacity (a figure achieved not by "overbooking," airline-fashion, but by subscribers' offering for resale any seats that they cannot use). The repertory, to be sure, was fairly conventional; but for the next decade 20 20th-century operas, 10 of them by American composers, and some of them brand new, are promised. The first is to be a new production of Dominick Argento's *The Voyage of Edgar Allan Poe*. As a prelude, the Lyric Opera Center for American Artists – the cadet branch of the big company – put on a summer production of Hugo Weisgall's Pirandello opera, *Six Characters in Search of an Author*.

Six Characters had its premiere at the New York City Opera in 1959. Beverly Sills played the Coloratura Soprano. It was the last opera in a remarkable, all-contemporary spring season that also included *The Medium* and *Maria Golovin*, *Street Scene*, Blitzstein's *Regina*, *The Ballad of Baby Doe* (Moore), *The Scarf* (Hoiby), *The Devil and Daniel Webster* and *He Who Gets Slapped* (both Ward), *Wuthering Heights* and *Susannah* (both Floyd), and *The Triumph of St. Joan* (Dello Joio). The attendance figure for the season was only 41 per cent, and City Opera repertory has never again been so adventurous!

At the City Opera in 1959, *Six Characters* was played twice, and once again the following spring. It was published. And it has the reputation of being, as Grove puts it, Weisgall's most theatrically successful opera. Yet before Chicago there had been only one revival, at Oberlin in 1971. This must be due to its demands and its difficulty, not to any lack of merit in the work, for it is an intelligent, arresting, and often very beautiful composition. But it calls for a cast of 24, who interact in delicate, sensitive ensemble. This makes it excellent fare for a cadet company with plenty of rehearsal time, and the Chicago performance, produced by Matthew Lata and conducted by Lee Schaenen (former conductor of the Vienna Volksoper), was well prepared and imaginatively executed.

Two experienced young singers were brought in as the principal "characters:" the baritone Robert Orth (whose prowess I discovered when producing him in *Intermezzo* some years ago) as the Father, and the ENO soprano Elizabeth Byrne, now resident in Chicago, as the Stepdaughter. Around their strongly felt performances the Pirandellian structure was surely built and ably executed. Denis Johnston, the librettist, has turned the acting troupe of the play into an opera company. When the mysterious "characters" appear, adding a new mirror to the reflections of life into art, not Pirandello's play *The Rules of the Game* but Weisgall's own (imaginary) opera *Temptation of St. Anthony* is in rehearsal. There are one or two easy jokes at the expense of contemporary music ("It's lousy enough with the *right* notes"); but then the Pirandello spell is surely cast in the new medium.

With a sure touch, with telling vocal gestures, with harmonic and instrumental and formal command, Weisgall creates musical analogues for Pirandello's potent, passionate, puzzling episodes. His *Six Characters* was a rivetting adventure.

Grove calls Weisgall "perhaps America's most important composer of operas." When Terry McEwen became head of the San Francisco Opera, he commissioned from Weisgall a full-scale *Esther*. And Weisgall has composed it. It was a shock to learn, a few days after the success of the *Six Characters* revival in Chicago, that Lotfi Mansouri, McEwen's successor in San Francisco, has cancelled this *Esther*.

Andrew Porter

ARTS GUIDE

July 6-12

MUSIC

London

I Solisti Veneti plays opening evening concert in the City of London Festival (Mon). The Mansion House (248 4260).
Poulenc performed by the Whitehall Choir (Mon). Queen Elizabeth Hall (928 8800).
Britten String Quartet performs works by Haydn, Prokofiev and Beethoven (Weds). Middle Temple Hall, Temple. (248 4260).
Scottish Chamber Orchestra conducted by Paul Daniel in works by Mendelssohn and Mozart (Weds). Queen Elizabeth Hall (928 8800).
Royal Philharmonic Orchestra conducted by Barry Wordsworth with Margaret Price (soprano) in Strauss's Four Last Songs (Thur). Royal Festival Hall (928 8800).
Borodin String Quartet in works by Schubert, Shostakovich and Beethoven (Thurs). Queen Elizabeth Hall (928 8800).

Summer Festivals
Paris

Chopin Festival, Orangerie de Bagatelle. Ends July 15 (45012010, 40679700).
Festival Estival. Yves Castagnet, organ: Franck, J.S. Bach (Mon) Saint-Germani des Pres Church.
Orchestre National de France conducted by Theodor Guschlbauer: Haydn, Schubert (Tue). Radio France-Grand Auditorium
Ensemble Organum conducted by Marcel Peres: Cistercian chants (Thur), Notre-Dame du Travail Church, 59 Rue Vercingetorix. Bookings: 48049801.

Beaune

International Encounters. L'Orchestre du Siecle des Lumieres, Gand Collegium Vocale, Amsterdam Baroque Chamber Orchestra and Ton Koopman, the Soviet State Symphony Orchestra. June 29-July 22. (80222451).

La Chaise-Dieu

La Grande Ecurieet Chambre du Roy, conducted by Claude Malgoire, Moscow Philharmonic Orchestra. Aug 23-Sept 3. (71094818).

Amsterdam

Daniel Wayenberg (piano). Chopin, Liszt (Tues). Concertgebouw (718 345).
Hungarian Virtuosi with Miklos Szenthelyi, James Brooks Bruzzese. Boccherini, Barber, Bartok, Vivaldi (Thur). Concertgebouw (718 345).

Schleswig Holstein Festival

This year's 5th Schleswig Holstein festival, initiated and directed by Justus Frantz has been enlarged to nearly 180 concerts in 22 different venues. World class musicians will be performing in towns and villages from Flensburg in the north to Lueneburg in the south. There will also be master classes. The festival's own orchestra, with 120 members from 22 different countries, will train throughout the summer in Salzau with 5 different conductors, Sir Georg Solti, Christoph Eschenbach, Jiri Belohlavak, Paavo Berglund and Semyon Bychko and they will be performing 10 concerts during this festival. Soloists include Alban Berg Quartet, Igor Oistrach, Natalia Gutman: Boris Pergamenschikow, Heinrich Schiff, Olaf Baer, Dietrich Fischer-Dieskau, Hermann Prey, Peter Schreier, Arleen Auger, Christa Ludwig, Rudolf Buchbinder, Barry Douglas: Katia and Marielle Labeque, Murray Perahia and James Galway. The programme ranges from Bach to Beethoven, Brahms to Bruckner, Mahler to Mozart, Tchaickovsky to contemporary composers. Until August 19. Information: Kartenzentrale Schleswig Holstein Musik Festival Postfach 3840, 2300 Kiel. Tel (0431) 567080.

Rome

Serenate in Chiostro 1990. Chamber concerts in the beautiful cloister of S. Maria della Pace (Piazza Navona) (6868441) (until July 28th).
Roma/Europa festival is spread over three sites: Villa Massimo, which offers the Dresden Tanztheater Staatsschauspiel dancing Dore Hoyer's work Afectos Humanos, based on the portrayal of five basic human emotions: vanity, hate, greed, fear and love (Thur); Villa Medici offers Cristina Hoyos performing flamenco dances, while at Villa Borghese can be seen the original version of Ben Hur, restored by Thames Television helped by the British Council with the soundtrack played live by the Munich Symphony Orchestra conducted by Carl Davis (Tues) (67.61.243).

Ravenna festival

Teatro Alighieri. Pier Luigi Pizzi's production of Antonio Salieri's Les Danaides, conducted by Gianluigi Gelmetti. Daniela Dessi, Jean-Luc Chaignaud and Raul Gimenez lead the cast (32577).

Spoleto

33rd Two Worlds festival. Performances include Richard Strauss's Elektra conducted by Spiros Argiris, in a stark and abstract production by Gunter Kramer, with sets by Carlo Diappi, at the Teatro Nuovo and Mozart's Le Nozze di Figaro conducted by Oliver Gilmour at the Teatro Caio Melisso. Also at the Teatro Nuovo is the young French choreographer Angelin Preljocaj, while at the Teatro Romano is Africa Oye': dancers acrobats and musicians from all over Africa, and the splendid Julio Bocca with his Compagnia del Balletto Argentino (40396).

New York

Niedersaechsische Staatsorchester Hannover conducted by Peter Tiboris. Tchaikovsky, Glass, Barber (Mon). Avery Fisher Hall, Lincoln Center (874 6770).
Granite Youth Symphony Orchestra conducted by Richard Chatelain. Tchaikovsky, Reed, Welch (Tue). Carnegie Hall (247 7800).
Mostly Mozart Festival. Mostly Mozart Festival Orchestra conducted by Gerard Schwarz with Alicia de Larrocha (piano), Frances Ginsberg (soprano), Sally Wolf (soprano), Vinson Cole (tenor), Werner Klemperer (guest artist). Mozart (Tue, Wed); Izhak Perlman violin recital with Emanuel Ax (piano). Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (874 6770).
St Luke's Chamber Ensemble. Beethoven (Thur 4:15). Caramoor Festival, Katonah (914 232 1252).

Chicago

Ravinia Festival. Heinrich Schiff cello recital with Samuel Sanders (piano). Bach, Schnittke, Brahms, Martinu (Mon); Shura Cherkassky piano recital. Bach, Weber, Chopin, Berg, Stokhausen, J. Strauss Jr (Tue); Chicago Symphony Orchestra conducted by James Conlon and the Chicago Symphony Chorus directed by Margaret Hills. Mozart, Mahler (Thur). Highland Park (728 4642).

Washington

National Symphony Orchestra conducted by Maxim Shostakovich with the Paul Hill Chorale and Leonidas Kavakos (violin). Mozart, Makris, Mendelssohn, Tchaikovsky (Wed). Kennedy Center Concert Hall (467 4600).

Tokyo

Orchestra Filarmonica della Scala Milano, conducted by Ricardo Muti. Brahms, Prokofiev. Bunkamura, Orchard Hall (Mon). Rossini, Mozart, Verdi programme at Showa Women's University, Hitomi Memorial Hall, near Sangenjaya (Tues) (221 0080).
London Symphony Orchestra, conducted by Leonard Bernstein and Michael Tillson Thomas. NHK Hall (Mon) (289 1774).
Krzysztof Jablonski (piano). Chopin, Ravel, Debussy. Tokyo Bunka Kaikan (Thurs) (824 7003).

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Monday July 9 1990

Managing the new world

TWO ISSUES at the Houston summit serve to highlight the inadequacy of the institutional structure through which world leaders are seeking to manage the affairs of our planet. One, aid to the Soviet Union, draws attention to the uncomfortable status of Japan, half insider half outsider, yet expected to foot the bill for strategic decisions to which it has had little or no input. Another, global warming, draws attention to the fact that genuinely global issues need to be tackled through genuinely global institutions.

The world does have global institutions, mostly dating from the end of the second world war and grouped loosely in the United Nations system. Some are mainly of a technical character and generally recognised as doing a useful job. Some have been so politicised and ridden with bureaucracy as to become ineffective or worse. In between is the UN itself. In the last few years, it has begun to recover from the depths of irrelevance, but is still far from playing the central role in the maintenance of world peace and security assigned by its founders.

The UN was the victim first of the cold war, then of decolonisation. The former paralysed what should have been its main policy-making body, the Security Council, by sowing mistrust between the great powers which were supposed to act as custodians of international order. The latter marginalised the General Assembly by giving it a majority of "third world" members, who used it as a forum for denouncing the real or imagined crimes of imperialism rather than for seeking effective international cooperation.

Post-cold war

As a result, the various summits which this year are trying to shape a post-cold war world order are meetings of bodies formed outside the UN system. They also have a more limited membership adapted to specific tasks, most of them focused heavily on Europe: Nato to defend western Europe against Soviet expansion; the European Community, and the Conference on Security and Cooperation in Europe designed to reduce tension along the European faultline between the two cold war camps. The Group of Seven was set up in 1975 to facilitate economic coordination among the world's leading industrial democracies after the collapse of the Bretton Woods system.

Obsolete tasks

Membership of these bodies overlaps without coinciding. Some of their original tasks are now obsolete, and those that remain are increasingly interconnected. Nato's task is now less to defend its members against Soviet expansion than to reassure the Soviet Union that its security has been enhanced rather than endangered by allowing self-determination to the peoples of central Europe, including the Germans: a task which CSCE, or an institution with the same membership as CSCE, may well be better able to perform.

The EC's task can no longer be performed without at least attempting to cater for the needs and aspirations of eastern as well as western Europe. CSCE is winding up the cold war in Europe and turning itself into an alliance of democracies stretching round the northern hemisphere, only to find that at its Pacific end the cold war remains unresolved and one of the world's three leading economic powers has been left out. G7 is left to wrestle with that contradiction, while also attempting to legislate for global problems, such as climatic change that cannot be resolved without Third World cooperation.

Many of these new tasks are ones for which the UN, if it functioned properly, would be a more appropriate instrument. Meanwhile the specific problems that prevented the UN from functioning properly are being solved. The permanent members of the Security Council are now much more willing to cooperate in the maintenance of peace and security, and the General Assembly has taken to working for consensus rather than confrontation. Perhaps one more task for this year's summits should be to restore the UN to its assigned place in world affairs, and to ensure that new powers such as Japan and Germany are given a role in it reflecting their real importance.

From Ulster to Scotland

IN THE memorable phrase of Mr Peter Brooke, a new Irish settlement remains a "possibility rather than a probability". The Secretary of State for Northern Ireland was speaking last Thursday, when he had to announce to a disappointed House of Commons that he was not ready to set a date for the start of his proposed three sets of negotiations involving the British and Irish Governments and the Northern Ireland political parties.

The blame for the present delay lies with the Irish Prime Minister, Mr Charles Haughey, whose Government has been unwilling to proceed unless it can be guaranteed an early entry into talks on north-south relationships, although it accepts that it should not be too close to the internal Ulster talks and has no part to play in the Belfast-London part of what would be a troika of consultations.

At the weekend, Mr Haughey said he wants to be flexible, while Mr Brooke has given himself a few more weeks to fit this final piece of the jigsaw into place. This is best understood as one of a series of pre-talks procedural skirmishes. The Irish Government's position is based on its understandable suspicion that the longer it is kept out of the proceedings, the more chance the Unionist parties will have to muddy the proposed north-south element of any future compact. Yet if it wants to get talks going it may have to accept a technical compromise.

Such compromises are an essential part of the process initiated by Mr Brooke. His underlying principle is that each participant must agree to the entirety of any step forward before it is taken, thus effectively giving everybody a continuous power of veto. If there is to be a fresh Anglo-Irish settlement, there is no other way forward.

Security co-operation

The existing Anglo-Irish Agreement, signed in 1985, is of value in security co-operation and has the merit that it brings all the interested administrations together, although the persistent opposition of the Unionists weakened its force. It would be better to maintain the present Agreement than to abandon its underlying principles. Yet a replacement accepted by all sides would be better still. That is what Mr Brooke is going for.

Procedural fudges

His chances of success depend upon a willingness to do more than make a few fudges on procedure. The Irish Government recognises, through the Agreement, that it is up to the electorate of Northern Ireland to choose whether it is to be incorporated into the Republic. There is no realistic prospect of Ulster voting for a united Ireland until well into the next century, if then.

There is thus a strong case for dropping the clauses in the Irish constitution which delineate the whole of Ireland as the territory of the Republic. Yet Mr Haughey can hardly contemplate a referendum on their removal without the Unionists and the British Government offering something in return.

That offer would have to be constitutional guarantees protecting the Catholic minority in Northern Ireland. They would include entrenched "power-sharing" in a devolved Belfast government, and permanent Dublin-Belfast intergovernmental machinery. Clearly all this must remain a possibility; it cannot yet be regarded as probable.

If the essence of the matter is self-determination, the British Government will sooner or later have to recognise that what is suited to Northern Ireland also applies to other parts of the United Kingdom: notably Scotland. If the people of the six counties can vote on their constitutional future, why not the Scots?

There is no visible majority in favour of Scottish secession from the union; the Scottish Nationalist party is nowhere near obtaining a majority of the votes. There is, however, an evident groundswell in favour of a devolved Scottish Assembly, which has probably grown in strength since the last referendum on devolution ended inconclusively in 1979. Any re-run should make plain that the price of an Assembly might be a lower subvention from England, and, possibly a smaller Scottish contingent at Westminster. The Scots might still vote yes.

The Italian car maker plans a manufacturing network from the Mediterranean to the Urals, reports **Kevin Done**

Fiat's grand European design

While politicians are still coming to terms with a Europe that stretches from the Atlantic to the Urals, Fiat, one of western Europe's top three car makers, is already a step ahead. It is developing a grand strategy for eastern Europe, and in the process trying to steal a march on its rivals in the world auto industry.

Fiat's plan is for a car production network that would stretch from Turin and Palermo in Italy to Yelabuga in the Soviet Union, taking in plants in Poland and Yugoslavia on the way. In a few years' time, if the strategy works, the company will own substantial equity stakes in a number of production ventures in eastern Europe and will be using them as low-cost suppliers both for local and for western markets.

The forces propelling Fiat forward are to be found at home in Italy. In western Europe Fiat is more confined within its domestic borders than any other leading car maker. It has no car plants outside Italy (although both its truck and automotive components businesses have a better geographic spread) and the Italian market itself still accounts for more than two-thirds of its western European car sales.

With Italy's long-established barriers to Japanese car imports under imminent threat from the creation of the single European Community market, Fiat's domestic position appears increasingly vulnerable. But what it lacks in the west it now believes it can make up in the east.

"In western Europe there is already strong competition in a fairly saturated market," says Mr Francesco Gallo, Fiat's executive vice president for international activities. "With a growing Japanese presence it will become more and more crowded with not so much growth in the market. You make a great effort to gain just a decimal point of market penetration. The big market of the future is eastern Europe."

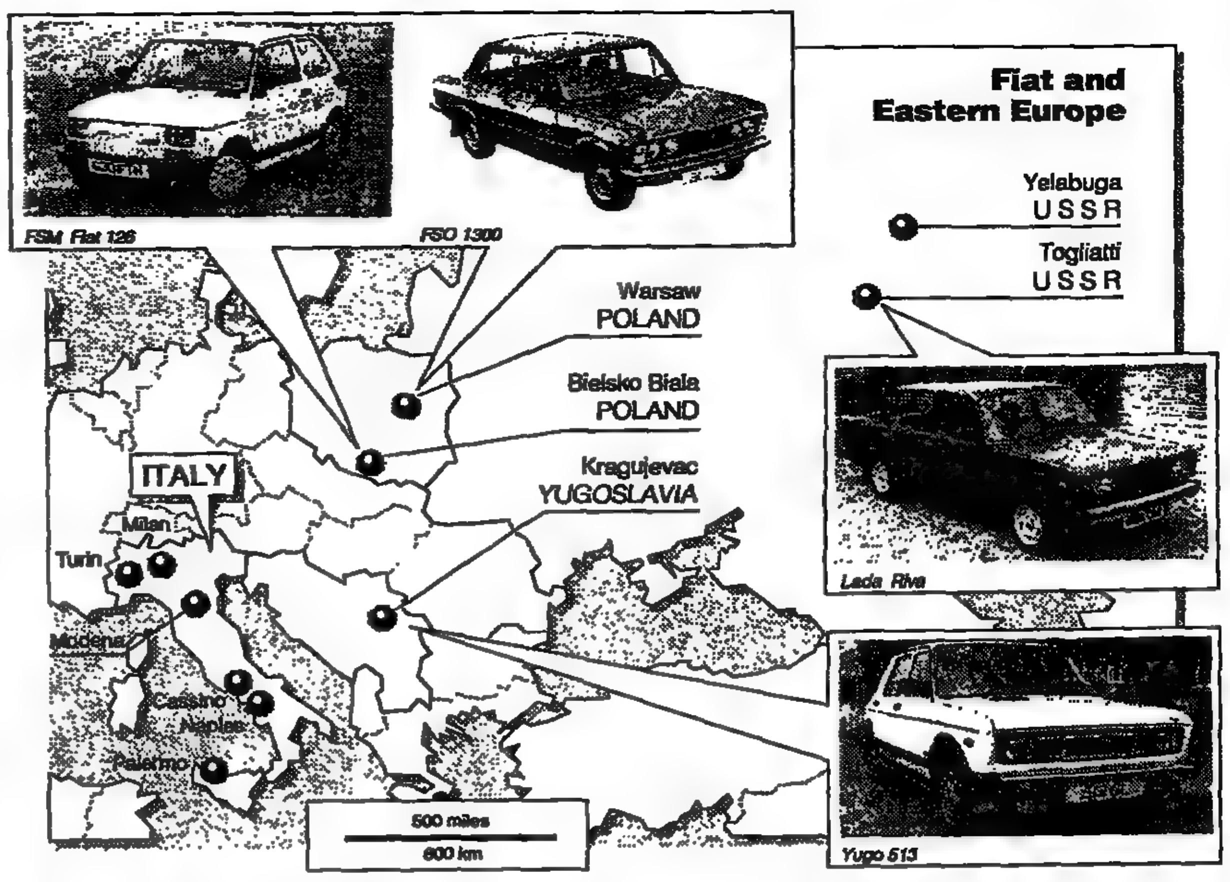
Thanks to its long-established links in eastern Europe, Fiat has a head start over rivals such as Volkswagen and General Motors, which are leading other western car makers in the effort to break into eastern Europe. While Daimler-Benz and Peugeot gingerly negotiate possible car ventures in the Soviet Union, and companies ranging from Volkswagen to Renault queue to become Skoda's western partner in Czechoslovakia, Fiat already has agreements in place in the Soviet Union, Yugoslavia and Poland.

The cars currently rolling off assembly lines in eastern Europe may be familiar to western eyes under the names of Lada, Yugo and FSO, but in many cases they are Fiats by another name. Fiat claims that more than half of the two million cars currently produced each year in eastern Europe and the Soviet Union are Fiat derivatives, the result of production accords stretching back more than 20 years. This total is set to rise rapidly during the 1990s as a result of a crop of deals struck in recent months.

Hitherto Fiat's financial exposure has been limited. It has not invested much of its own money in eastern Europe, but has sold and licensed technology. Gradually that is set to change, however, as it prepares to take equity stakes in the eastern European operations, as it has previously done only in Yugoslavia.

Mr Gallo agrees that Fiat's plans amount to a gamble, not least because of concern that eastern European plants may have difficulty meeting western quality standards. The potential rewards are great, however, and could help buttress Fiat's operations in the fierce fight for the western European car market.

"Despite all the economic difficulties in these eastern European countries there is a very large potential market," he says. "Even today there is very large pent-up demand."



Fiat's ambition is to create an integrated production network with up-to-date models produced in eastern Europe at quality levels that will also allow the cars to be sold in western markets under Fiat group nameplates. At the same time it is planning an interchange of components between the different countries.

"We want to be a direct player in these markets, therefore we need a direct involvement," says Mr Gallo. "Before it was a question of the transfer of technology and management expertise, but there was no possibility of operating directly in the local markets. Now we want to be there and we must have equity participation. That is wanted both by Fiat and the countries concerned."

Inevitably the biggest challenge is the Soviet Union. Fiat's earliest involvement in Russia pre-dates the revolution, but in the post-war era its breakthrough came when it was chosen as the Soviet Union's partner to design and build one of the world's biggest car plants at Togliattigrad on the banks of the Volga. The contract for a plant to produce 660,000 cars a year based on the Fiat 124 was signed in 1966 with the first cars emerging four years later.

Now Fiat is embarking on a new project, valued at $7bn and aimed at creating production capacity for an additional 900,000 cars a year, enough almost to double the Soviet Union's current annual production of 1.3-1.4m.

The deal is the cornerstone in the Soviet Union's ambitious plans for meeting the huge unsatisfied demand in the domestic market, where would-be car buyers face waiting times of seven to eight years and where, according to Mr Gallo, existing production facilities satisfy only 40 per cent of demand.

Soviet plans have previously called for car output to be increased to more than 2m a year by 1993, while the five-year plan beginning in 1991 anticipates a doubling of output to around 2.7m units by 1996.

The massive car complex to be established at a site on the banks of the Kama river at Yelabuga, is to be developed in three stages, each producing 300,000 cars a year. It is clear that Fiat will now play a leading role in all three phases, providing the industrial leadership for the production of three separate car ranges, and the technology to produce 900,000 engines and gearboxes a year.

Use of eastern Europe as an increasingly important supply source will have enormous implications for Fiat's sales and distribution channels in the west

At the end of November Fiat agreed to enter a joint venture to produce 300,000 1-1.1 litre cars a year, code-named A93, at the Yelabuga site, about 1,000 kilometres east of Moscow. It has since agreed in addition to lead the development of the first stage at Yelabuga which will be for the production of Fiat's small Panda car, which will also be produced at a rate of 300,000 a year from the end of 1992. As a second stage, Fiat designers and engineers are working with Soviet counterparts on the A93, a three- and five-door hatchback along the lines of the Fiat Uno.

The plan provides for Fiat's first direct financial exposure in the Soviet Union. It will take a 30 per cent equity stake in a joint venture to produce the A93, with the remaining 70 per cent held by Yelaz, a new Soviet state car company. The equity capital could be around $400m. Project investment in the A93 alone is said to be around $1.8bn and the first car is scheduled to come off the assembly line by late 1993 or early 1994.

This part of the Yelabuga project will break other important new ground: the car will be sold in the local market under a combined Fiat and Soviet nameplate, the first time that a western car marque has been allowed in the Soviet car market. Equally important, around 100,000 cars (or a third of the output of the A93) will be sold in western markets, possibly under the Fiat group's Innocenti nameplate.

The first focus of Soviet efforts will be to produce small affordable cars, but the third stage of the Yelabuga project is expected to involve a larger Fiat car, possibly the medium-sized Tipo or Tempra, which have been launched in western Europe in the last two years. Production of this phase is scheduled to begin in 1995/96.

Yugoslavia represents another important prong of the Fiat advance into eastern Europe, and here too the move is towards owning more equity. Fiat signed its first deal for local production of its cars at the Zavodi Crvena Zastava (ZCZ) plant in Kragujevac as long ago as 1954. In 1968 it acquired an 18.5 per cent equity stake for $25m; it is currently negotiating an increase in this stake to a substantial minority, and may eventually want to take a majority. ZCZ accounts for the majority of Yugoslav car output and has 70-80 per cent of the local market.

"We want to integrate the Yugoslav plants in our general European strategic production network with an interchange of products and components," says Mr Gallo.

Fiat has recently begun assembling in Yugoslavia a basic version of its Uno small car, which will be for sale in both Yugoslavia and the west. Mr Gallo says this basic Uno version – called the Uno Sting in Continental Europe and the Uno Formula in the UK – will eventually be single-sourced from ZCZ. Fiat is already selling ZCZ's Yugo 45/55 range in Italy under its Innocenti brandname. "Progressively we will move from simple assembly to more and more integration with practically no components coming from Italy."

Use of eastern Europe as an increasingly important supply source will have enormous implications for Fiat's sales and distribution channels in the west. Eastern European production sources will offer a greater range of products than could be made economically in the west, allowing Fiat to challenge Volkswagen for market leadership.

Take the case of Poland, where Fiat made its first moves to single source a car from eastern Europe in the mid-1970s and will next year launch a new generation mini car. The Fiat Micro will be exclusively produced in Poland, initially at a rate of 160,000 a year and rising to more than 200,000. Mr Gallo claims that by basing all the Micro production in Poland Fiat will gain the necessary economies of scale to make the project viable. "We could not produce 80-100,000 Micros a year in western Europe at competitive costs, but 200-250,000 a year in Poland is economically viable."

Nor do Fiat's Polish plans stop there. Recently it defeated Daihatsu of Japan for the contract to provide new technology for Poland's second car producer FSO in Warsaw, which will be producing 120,000 Fiat Tipos a year later in the 1990s. It is also planning to build an engine and gearbox plant in Poland to supply both FSM and FSO. Ownership and financing of the venture are still under negotiation. (Hitherto the Polish deals have been based on a balanced trade with exports of cars providing foreign exchange to pay for the plant, equipment and technology. Fiat is, however, clearly considering taking equity stakes in the Polish plants as elsewhere).

The most significant potential risk in the overall strategy lies in quality. Given that Fiat intends increasingly to pin its Innocenti name to cars produced in the eastern plants and to feed them into its existing western sales network, can they meet exacting western quality standards? "We are going to guarantee the quality control of the cars," says Mr Gallo. The Innocenti marque will be used for "popular, low-cost cars", he says, but he insists that all cars sold under the name wherever produced, will be "of the same quality standards as our Italian production."

He accepts that it is "a big gamble", but says that Fiat's effort in eastern Europe must be seen in a long-term perspective. "We are not looking at results tommorrow morning. But the exposure will be significant. We will be producing products that will come into our network. If the product is no good, that is a big exposure, that is a major risk."

OBSERVER

The return of Zorro

■ Mr Bernard Tapie, France's most bumptious and best-known businessman, has hit the headlines once more with his takeover of Adidas of West Germany, troubled world leader in sportswear. The acquisition is a characteristic extension of Tapie's business history, which has consisted mainly in the purchase, break-up and sale of companies in difficulties.

The novelty of his latest coup is partly one of scale: Adidas is many times larger than the whole of the Tapie empire put together. But in addition, Tapie insists that Adidas is not for stripping or selling, but for keeping for at least 10 years.

Tapie made his first fortune writing pop songs – the most famous being *The Green Berets'* title tune. Indeed, his recent fame has derived less from any spectacular business exploits, than from his well-publicised forays into the worlds of sports and politics. In 1986 he took over the champion football club Olympique de Marseille (OM), and spent millions on hiring foreign stars such as ex-Spurs player, Chris Waddle. It was obviously no accident that he announced the acquisition of Adidas, leading supplier of boots to the World Cup teams, on the eve of the final in Rome.

Since early last year he has also been a member of parliament for Marseilles, nominally independent but overtly a supporter of the Presidential majority. So far his parliamentary career has been notable mainly for the rarity of his appearances in the chamber. But the man who has acquired the dubious sobriquet as the Zorro of the business world, has now promoted himself into the role of the single-handed champion of moderate France against Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front party.

He has shown not only that he is one of the few politicians with the courage to take on Le Pen in a one-on-one TV debate, but also that he can come off best in the brawl.

Cowgirl

■ The generosity of Texans knows no bounds. Reporters attending this week's economic summit in Houston have been surprised by gifts of Texan flags, a packet of seeds of the Texas state Bluebonnet flower (Lupinus texensis), bright green Jalapeno lollipops and a miniature dustbin containing "Miss Penny's Texas Trash Spicy Snack Mix."

But it is clear that something special is in store for Mrs Thatcher and her fellow summiteers. One of the odder tasks given to the sherpas, those indefatigable officials who prepare the annual economic summits, was to provide the organisers with the shoe and hat sizes of the leaders. This raises the possibility that the Prime Minister will be decked out in cowboy boots and ten gallon hat before the proceedings end on Wednesday. There is already a rodeo, and a performance of the Grand Ole Opry, on the Prime Minister's schedule. So a ride on the range with President Bush, perhaps?.

Hanson sound

■ If you do not like what's on the radio, start your own station. Many readers will secretly envy the 68-year old Lord Hanson, the chairman of Britain's fifth biggest company, who launches his commercial station, Melody Radio, from Hanson's old headquarters in London's Brompton Road, this morning. Like most of his ventures, it sounds like a success.

Appropriately enough, its signature tune is *Tenderly*, in three different versions -

"Nato excercises aren't what they used to be."

by James Last, Mantovani and George Sheering. The station, which will be within earshot of more than 8m adults, exists because Lord Hanson could not find the sort of easy listening music he likes when he is browsing through his balance sheets in North America. He gets particularly irritated by the constant interruptions from the disc jockeys, hence Melody's advertising slogan – Radio Without the Speakers.

Lord Hanson is going after the "people who feel abandoned by radio," and that is mainly the over 35s. Unlike almost every other business he has invested in, he has some first hand experience of the medium. One of his jobs was to help present music for Radio Athens after the Second World War.

Though he personally approves most of the tapes to be played on the station to ensure the right tone will be maintained, Melody is not a rich man's toy. Like any other Hanson enterprise the radio station – costing about £2m to set up and around £1.5m a year to run – is expected to make profits as well as music. The chat is also being kept down to 5 to 6 minutes an hour compared to the permitted 9 minutes, which sounds unusually short even for a Hanson board meeting.

Other prizes

■ The players in the World Cup Final were competing for more than just pots of money and a place in soccer history. Fifa, the governing body of world soccer, offers a surprisingly wide selection of prizes to the victors. First, there is the World Cup itself, but that is only on loan for four years and at the slightest hint of trouble, such as a war, must be returned to Fifa's Zurich HQ. The winning team also receives a replica trophy, which it is allowed to keep, 32 gold medals, a "souvenir plaque" and a diploma, which should be enough to keep everybody happy.

FT favourites

■ Prince Charles is not going to be found talking to his favourite tree. But he has done the next best thing and contributed a painting. Rosehaugh's Godfrey Bradman has done a sculpture of his favourite, while David Puttnam, the film director, Lord Lichfield, the photographer, and actress Koo Stark, have each contributed their favourite photograph. Along with a host of other celebrities they were asked to paint, draw, sculpt or photograph their favourite tree for a Financial Times exhibition to raise money for a new 35 square mile forest in East London.

This morning, Sir Geoffrey Howe (also a contributor) opens the "My Favourite Tree" exhibition at The Imagination Gallery, 25 Store Street, South Crescent, London WC1. Open daily between 12.30 pm and 6.0 pm, until July 19, when the contributions will be auctioned with the help of Sotheby's.

Struggle to open up the money bags

Charles Batchelor on why small high-tech start-ups are still finding it difficult to raise venture capital

Sophos Ltd, a small manufacturer of data encryption systems based in Abingdon, ...fordshire, started life in Jan ...iska's front room. The embryonic ...iness might have stayed there but ... the injection of £40,000 and help ...h setting up a system of financial ...trols by Oxford Seedcorn Capital, ...mall venture capital company spe...ising in "seed" investments.

...hree years on Sophos has modern ...ces on the local science park; ...ploys six people; has broadened its ...ge of products; and is making good ...fits on annual turnover of nearly ...0,000.

...he company provides an excellent ...mple of how venture capital can ...p new businesses to get started.

...nd yet, after a decade of rapid ...ansion in the venture capital ...ustry, small high-technology start... such as Sophos still find it diffi...t to raise funds. Even worse, many ...t-ups which a few years ago could ...e raised venture finance would be ...ble to do so now, according to Mr ...ony Costley-White, co-founder of ...ord Ventures.

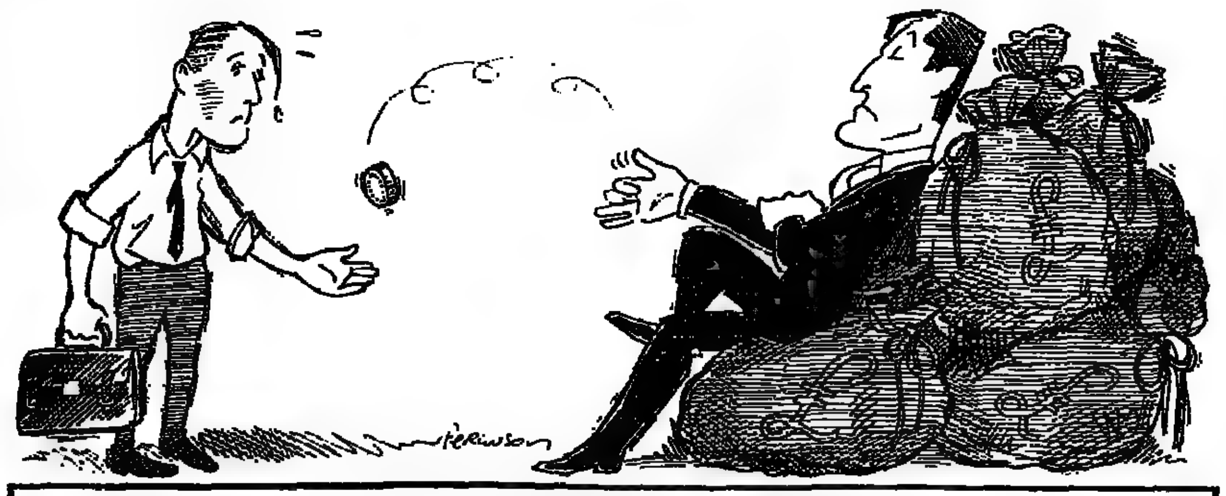
...he reason is that backing small ...h-tech companies is time-consum... fraught with risk and unlikely in ... short term to show much profit. ... venture capital funds have grown ...ize more and more of their money ... gone into safer investments such ...management buy-outs, buy-ins and ...ablished companies needing expan...n finance.

...ritain's venture capitalists started ... attempting to imitate their Ameri... counterparts, who financed a raft ...igh-technology start-ups in Silicon ...ley, California, and Route 128 ...und Boston, Massachusetts, in the ...s. But British funds' inexperience ... choosing and managing these ...estments and their concentration ... sectors such as electronics caused ...ny of them to suffer heavy losses. ...s is largely because of the smaller ... market and the complexities of ...orting high-tech products.

...n spite of this, venture capital ...anded rapidly through the 1980s. ...ereas there were about a dozen ...ture capital companies in the mid...s, the British Venture Capital ...ociation now has 124 members.

...enture capitalists in Britain raised ...ecord £1.7bn in 1989, more than ...e the amount raised in any previ... year, while investments totalled ...5bn, an increase of 18 per cent. ...ain continues to dominate venture ...ital in Europe, accounting for 56 ... cent of the venture capital "pool" ... funds invested or available for ...estment – of Ecu 23bn (£16.3bn).

...he growth of the UK venture capi... industry in the 1980s coincided ...h the period when management ...-outs began to gain respectability ...a means of revitalising moribund businesses. Unlike their American counterparts, who had left leveraged buy-out finance to the investment banks and junk bond specialists, British venture companies took on the role of providing finance and advice to management buy-out teams.



PATTERN OF VENTURE CAPITAL INVESTMENT IN UK

Stage of business	Financings* 1989 no.	1988 no.	1987 no.	1989 %	1988 %	1987 %	Amount invested 1989 £m	1988 £m	1987 £m	1989 %	1988 %	1987 %
Start-up	177	202	191	13	15	16	86	70	75	6	5	8
Other early stage	344	182	133	25	13	11	129	60	45	9	6	5
Expansion	473	639	641	35	47	53	319	402	278	23	31	30
Buy out/buy in	333	282	217	25	21	18	867	733	513	61	56	55
Secondary purchase	24	51	26	2	4	2	19	33	23	1	3	2
TOTAL	1,351	1,356	1,208	100	100	100	1,420	1,298	934	100	100	100

*Some companies received more than one injection of finance in a year.

The growing scale of the buy-out sector has become a *focus* for criticism of the venture capital industry. Venture capitalists have proved only too ready to back buy-outs which, until recently, promised quick and relatively safe returns, such as Reedpack, a paper and packaging group sold for £1.05bn last month, just two years after a buy-out valued it at £609m; while at the same time neglecting investments in start-up and early-stage companies. Expressions of concern have come from a number of quarters. They include:

- A report published last month on the barriers to growth in small technology-based companies urged the venture capital industry to devote more of its efforts to supporting high-risk, high-growth smaller companies. Just 12 per cent of venture capital funds went into technology-related businesses in 1989, an increase on the 8 per cent figure in 1988 but well below the US where typically 75 per cent of venture capital spending is on technology companies.
- In February the Bank of England's quarterly bulletin commented that the venture capital industry had done little to meet the shortage of capital for small and expanding businesses.
- And, speaking at the British Venture Capital Association's 1989 annual dinner, Prince Charles, who has a close interest in small businesses, upbraided venture capitalists for backing buy-outs at the expense of helping young companies.

Venture capitalists such as Mr Jos Peeters, chairman of Benenvent, a Belgian fund, and of the European Venture Capital Association, say the industry's move to backing larger, safer deals was inevitable. "As the venture capital industry matures it will move away from early-stage financing," comments Mr Peters.

Venture capitalists also retort that the main constraint on their backing early-stage businesses is not an unwillingness or a lack of funds but a shortage of good management teams to run these young businesses. "All of us would like to see more money going to start-ups but the big problem is finding management," says Mr Ronald Cohen, chairman of Alan Patricof Associates. It has not proved easy to persuade experienced managers with large companies to leave to set up in business on their own.

In part, the disillusionment with venture capital is a reaction to the business community's earlier enthusiasm for a welcome new source of finance. As entrepreneurs and managers have grown more used to venture capital they have also become more aware of its limitations. Venture capitalists normally want a big slice of the equity of companies in which they invest and are also only interested in companies which can provide a high rate of return – target rates for start-ups of between 50 per cent and to 60 per cent compound annually are not unknown – to compensate them for the inevitable failures.

Inevitably, therefore, venture capital is suitable for only a small minority of businesses although, if the companies are well-chosen, they should play a disproportionate role in industrial growth. Britain's venture capitalists backed 1,569 businesses in 1989 with £1.65bn of funds, a modest sum compared with an estimated £30bn on loan from the banks to small companies at any one time.

Uk venture capitalists invested £215m in start-ups and other early-stage companies last year compared with just £130m in 1988 but these investments still only accounted for 15 per cent of all venture capital spending and for 39 per cent of deals by number.

In Europe as a whole, early-stage financings play an even smaller role, accounting in 1989 for just 10 per cent of deals by value and 19 per cent by number.

The problems encountered by a number of large, recent buy-outs in the furniture and furnishings sector – MFI, Lowndes Queensway and Magnet – are expected to persuade some venture capitalists to switch their attention to early-stage deals. But funds which have the financial expertise to put together a £100m-£200m buy-out are unlikely to have the know-how or the inclination to start backing small businesses needing £100,000 to £250,000.

Nevertheless, some venture capitalists believe that the risk/reward equation has again swung in favour of early-stage deals and their numbers will increase. The European Commission has launched a programme to subsidise the creation of 24 seed capital funds throughout the Community. In Britain, meanwhile, the British Venture Capital Association announced its own plan to sponsor a number of seed funds, though it now says it will need government subsidies to help meet the running costs

3i, Britain's largest venture capital company, has announced plans to increase its investments in start-ups and early-stage ventures from £60m to £100m. This is a not insignificant amount but it now appears more likely that most other funds, instead of switching away from management buy-outs to more early stage investments, will concentrate on other, later-stage deals such as buy-ins and corporate rescues which require similar types of expertise to buy-outs.

More worrying than the low levels of investment in early-stage companies are criticisms of the degree to which venture capitalists provide assistance to the companies in their portfolios. Most venture capitalists convey the impression that they have an active involvement in the companies they back. The reality appears to be less impressive. One recent survey on the industry in Europe showed that while 72 per cent of venture capital investors considered they had a close involvement with their portfolio companies only 16 per cent of the companies were prepared to describe the relationship in these terms.

Part of the problem facing the venture capital industry is that it has now grown to such a size that it is inevitably more cautious than in its early pioneering days. A hard core of about 12 venture companies is willing to carry out the riskier deals but the majority of "me too" companies which have come along in recent years take an approach to investing which is closer to that of the banks and institutions which own them than to the early red-blooded ideals of the US venture capital pioneers.

Some venture capitalists argue that their role is simply to make money and if management buy-outs are the best way to do this then that is where they will put their funds.

"The venture capitalist is not obliged to back any particular stage of business," says Mr Peeters. "His only obligation is to make money for his investors." There are signs, though, that fewer of those people concerned for the future of small firms are prepared to accept this narrow definition

LOMBARD

A way out of the duopoly

By Hugo Dixon

British Rail has ambitions to branch out into telecommunications when the UK government reviews the British Telecom/Mercury Communications duopoly this autumn. It is also studying a plan with its counterparts in Europe to build a pan-European telecommunications network alongside their tracks to compete with the systems run by Europe's phone companies.

These initiatives have much appeal in them. BR already has the most extensive and modern telecommunications network in the UK after BT and Mercury. Originally built for its signalling and internal communications needs, the network consists of 2,000km of fibre-optic cable, 150 computerised switches and 63,000 extensions. Mercury, in comparison, has 2,600km of fibre-optic cable in its network.

BR's most valuable telecommunications asset, though, is not the cables in the ground but the freedom to lay more cables along its tracks. This would enable it to expand its telephone network quickly and cheaply into a nationwide system – either operating as a third national carrier or selling capacity in bulk to anybody else who challenged the BT/Mercury duopoly.

The largest cost in constructing a telecommunications network is usually the expense in digging up the roads. Since BR's tracks go to the heart of every town in the country and are within a short distance of large numbers of businesses, digging up roads could be kept to the minimum. Allowing BR to commercialise these assets might therefore seem an attractive way of increasing customer choice in a market which is still insufficiently competitive.

But such a policy would immediately run into the objection that BR should learn to run the railways properly before it branches out into new areas. Building a nationwide telecommunications network would require a massive investment which train travellers would rightly feel should be spent improving the railways.

Moreover, the Government has gone to considerable lengths to privatise the telecommunications market, so it is unlikely to support renationalising part of it by the back door.

One solution would be to hive off BR's telecommunications assets – including the right to lay cables alongside its tracks – into a separate company and auction it to the highest bidder.

Interest in buying "BR Telecom" could be considerable, since the world's telephone industry is in the throes of restructuring itself on global lines in response to increasing liberalisation of national markets. The UK telecommunications market is one of the most attractive locations for investment because the British government has moved further along the path of deregulation than most others.

Bidders for BR Telecom might include the US "Baby Bell" phone companies which were created when American Telephone & Telegraph was broken up six years ago and which are now scouring the world for business opportunities.

Candidates closer to home could be Racal, the UK electronics group which owns the Vodafone cellular communications network and runs the Government's internal telephone network; and British Aerospace, which is diversifying into mobile and satellite communications as its military business tails off.

BR Telecom could fetch a princely sum. About £1bn has already been invested in the network, to which a premium should be added because the rights of way along BR's tracks would give the purchaser a head start over any other challengers to the BT/Mercury duopoly.

Selling BR Telecom to the private sector would therefore kill two birds with one stone. First, it would be an effective way of increasing competition in telecommunications because the buyer would have more funds to invest in expanding the network than BR itself could hope to find.

Second, the cash raised from the sale should be recycled to finance badly-needed improvements in the railways.

LETTERS

...he 'hard' Ecu should ...e killed at birth

...m Mr Andrew Michell.

...ir, Daniel McLaughlin ...ters July 4) is correct in ...ribing the 13th currency as ... irrelevancy. This "hard" ... creature is for politicians ... professors. We who manu...ure and export need a prac...l common currency with a ...rd of stability and minimal ...ation and we need it soon. ...ew currency cannot by defi...on have a record.

... we in Britain continue to ...truct progress towards ...opean monetary union ...U) with silly ideas such as ..., events will overtake us. ... D-Mark is already an ...active tool for pan-Euro...n business. If, as suggested ...ntly, the D-Mark links up with its long-term partners in the exchange rate mechanism (ERM) – the French and Benelux currencies – in a "high-speed" EMU, the combination will be irresistible. And, in the 1992 climate, businesses will abandon the wobbly pound in its favour.

We would do better to swallow our national pride and take a constructive part with our partners on their route to a practical and fast EMU. The "hard" Ecu should be killed at birth and the quicker the pound meets the fate of the East German Mark the better for us all.

Andrew Michell,
Michell Instruments,
Cambridge

Lamont's 'unjustified' optimism

From Mr John Wells.

Sir, The Chief Secretary to the Treasury sees signs ("Lamont hails turnround in manufacturing," June 28) of a "reversal of the long-running decline in the share of manufacturing output in GDP."

Unfortunately, no part of this statement appears to be true. Manufacturing output's share in gross domestic product (measured at constant prices – the appropriate procedure given the trend decline in the relative price of manufactures reflecting the sector's above-average rate of productivity growth) actually underwent a trend rise throughout the whole of the post-war period up to 1973. This was due to the fact that, despite adverse trends in trade in manufactures, UK domestic demand for manufactures (from both consumers and investors) was very income-elastic. The decline in manufacturing's share rather than being a long-running phenomenon, was, *in fact*, confined to the period 1973-81 – and, in particular, 1979-81.

Since 1981, there is, however, little evidence of much change in manufacturing's share one way or the other and, during the recent slowdown, it has actually declined quite sharply. Manufacturing certainly has a long way to go to make up the 3-4 per cent decline in GDP share incurred during 1979-81 – roughly equal to the present deficit on the current account of the balance of payments.

Nor does Mr Lamont's sanguinity regarding manufacturing's capacity to cope with rising cost pressures appear justified. Wages and salaries per unit of manufacturing output are currently rising by 7.5 per cent (year-on-year) – more than twice the rate of a year ago (3.1 per cent).

The combination of accelerating earnings growth (in response to rising retail price index inflation) and decelerating productivity growth (as output growth slows) is what lies behind these increased cost pressures. And they bode ill for UK manufacturing's capacity to cope with the heightened competitive pressures of the single market, especially if and when the UK adheres to the exchange rate mechanism of the European Monetary System.

Certainly, the share of traded output (from both manufacturing and non-manufacturing) must rise as a proportion of GDP, if we are to reduce the trade deficit. Whether this is accomplished via deflation and slow growth or within the context of rapid growth will be the true test of the alleged supply-side "miracle."

John Wells,
Faculty of Economics and Politics,
University of Cambridge

...ndesirable continental import

...m Mr M.B. Thorneycroft.

...ir, There has been much ...ment recently about the ...mful effects of "short-ter...m" and hostile takeovers in ... UK and the US. In many ...es, commentators have ...wn unflattering compari...s with the systems which ...ly in continental Europe ...ler which managements are ...re securely entrenched.

...Whilst there will always be ...m for debate about whether an individual takeover will benefit the economy as a whole (or even, in certain cases, the shareholders of the companies involved), the recent events at Philips surely demonstrate that the importation of the continental system into this country would not be a panacea for the problems perceived to arise from our system.

M.B. Thorneycroft,
Gouldens,
22 Tudor Street EC4

...BI 'advocating the final extinction of its remaining members'

...m Mr Austin Mitchell MP.

...ir, Douglas McWilliams's ...w on the 364 names on the ...onomics Roll of Honour ...tters, July 5) amounts to an ...ument that the pursuit of ...nikaze monetarism to its ...ical conclusion of an indus...al Jonestown provides the ...al solution for inflation. ...lation does tend to be low in ...veyards.

...he fallacy in his view is ...t tackling inflation by tak... capacity out of production ...y works for so long as the ...acity is kept out. When it ...nes back into use the pre...ndition is dead and so is the ...ategy.

...Yet what happened in the ...overy does provide an inter...ing clue about inflation. ...owth came when the pound ...l 30 per cent against the ...Mark between July 1985 and ...bruary 1987. The beneficial ...ects were compounded by ... privatisation of Keynes as if the credit boom allowed everyone to do the deficit financing government declined to undertake, boosting domestic demand perhaps too much so for an industry which had all too recently been decimated. Monetarists deplored the whole business, but the result was the lowest inflation rate for 20 years and had we had selective and penal controls on credit to check the crippling asset inflation it could and should have been prolonged.

The lessons were forgotten when the electoral threat was removed. The real exchange is now 20 per cent up against the D-Mark on the first quarter of 1987, 28 per cent against the dollar, and 48 per cent against the yen. This is directly responsible for our balance of payments disaster. Sterling is higher in real terms against both dollar and yen than at the height of the 1981 deflation and is up 51 per cent in real terms against the D-Mark and the dollar and 58 per cent against the yen on the last quarter of 1976 when we promised the International Monetary Fund to keep our manufacturing competitive. Look no further for an explanation of the fact that our industrial output of importable and exportable goods is lower than in 1973.

The results of all this must be disastrous. Yet Douglas McWilliams wants to compound them by using "the fiscal and monetary discipline that will be required to drive inflation down to the German levels of 0-3 per cent."

What good economic purpose can be served by this? What logic is there for a country in a huge trade deficit tying its exchange rate to that of its major competitor, particularly when our rate is so grossly overvalued against the D-Mark in real terms?

More unemployment, more closures of capacity and companies which would be competitive at a lower exchange rate, and an increase in inflation will be the inevitable results. In fact, a country in deficit needs a more competitive exchange rate and a diversion of resources to manufacturing to survive.

The role of government is to facilitate the increase in wealth, not to crucify manufacturing. I am amazed that a CBI which did once stir itself to a bare-knuckled fight against the last deflation now seeks its return. The final extinction of its remaining members and the ultimate triumph of the financial sector which has come to dominate the CBI will be the inevitable result. Do Douglas McWilliams's members know what he is advocating on their behalf?

Austin Mitchell,
House of Commons,
Westminster, SW1

FINANCIAL TIMES
Monday July 9 1990

US SANCTUARY FOR OPPOSITION LEADER

Armed police in Nairobi clashes

By Julian Ozanne in Nairobi

HEAVILY armed police yesterday clashed with rioters in Nairobi for the second day as protesters continued to demand an end to the one-party rule of President Daniel arap Moi.

As the challenge to the 11-year reign of Mr Moi continued, Mr Gibson Kamau Kuria, one of the last remaining leaders of the campaign for multi-party democracy who has not been detained, was given refuge in the US embassy. The development is likely to strain already tense relations between the two governments.

Throughout the day police skirmished with rioters in the slum areas of Eastlands, Mathare Valley and Kamukunji as they tried to tow away the burnt-out wrecks of buses and sweep up shattered glass and piles of stones. According to today's first edition of Nairobi's Daily Nation newspaper, three people have died so far.

Yesterday's clashes come 24 hours after security forces used bullets and tear gas to disperse a political rally which exploded into a riot which left shops looted and cars damaged in several parts of the city.

The unrest presents a serious threat to tourism. With some 700,000 visitors a year, the sector is the leading foreign exchange earner in a country long regarded as one of the most stable and peaceful in Africa.

The event that sparked Nairobi's weekend of turmoil occured on Saturday afternoon. A 6,000-strong crowd gathered at the city's Kamukunji meeting ground for a rally in favour of multi-party democracy. The rally was the culmination of a four month campaign for political pluralism against the rigid one-party rule of Mr Moi.

The rally, banned by the government, was to have been addressed by Mr Kenneth Matiba and Mr Charles Rubia, the de facto leaders of the opposition. But both were detained in a police swoop against government critics earlier last week.

The crowds that gathered started chanting "Free Matiba, Free Rubia" and "We want two parties". When an unmarked security car was spotted on the edge of the field, the protesters grabbed rocks and started stoning the car, smashing the back window.

The frenzied crowd, chanting "to town, to town" and waving the two-fingered salute, the sign of support for multi-party democracy, then moved towards the city centre.

Police and members of the paramilitary General Service Unit (GSU) fought running pitched battles with the crowd throughout Saturday evening as rioters stoned shops and passing motorists, and set fire to buses.

Order appeared to have been restored in most areas by early evening yesterday, although there were reports of isolated incidents. Trucks full of GSU personel with automatic rifles patrolled the streets. Heavy gunfire could still be heard in parts of the city.

Mr Kuria, a prominent Kenyan lawyer and the winner of the 1988 Robert Kennedy Human Rights Award, has been in hiding since Thursday.

His choice of an American sanctuary comes in the wake of several public US statements over the last few days which have expressed Washington's "distress". In contrast, British officials have so far remained silent.

In a series of statements over recent weeks, advocates of a multi-party system have rounded on the British government, accusing it of increasing the chances for violence by their refusal to speak out as government repression intensified.

Last year Kenya received the largest allocation of British aid in Africa, £47.5m ($83m), and trade between the two countries totals £350m. There is an estimated £1bn of British investment in the country.

Matiba seeks to rise above tribalism, Page 2

UK financial service confidence 'declines'

By David Barchard in London

CONFIDENCE among British financial services companies is declining, with one company in three less optimistic about its prospects than three months ago, according to a survey published today. Confidence has fallen despite a strong improvement in business with overseas customers.

In the third survey of financial services carried out by Coopers & Lybrand Deloitte, the accountancy firm, and the Confederation of British Industry, the employers' association, banks and general insurance companies are found to be most pessimistic.

Fifty seven per cent of banks and 52 per cent of general insurance companies say they are less hopeful about the overall situation than three months ago.

However, eight out of every 10 fund managers say they are more optimistic than they were three months ago.

The survey, in which 338 companies – employing a total of nearly 500,000 people – were interviewed last month, provides some evidence of a downturn in the UK market. One in three companies says its level of business is below normal for the time of year. Securities traders, stockbrokers, finance houses and venture capital companies head the list of companies reporting a decline in their business volumes.

The CBI says a modest fall in banking business volumes is likely to turn into a modest rise in the next three months.

Financial services companies are not entirely pessimistic. They believe that on balance their competitiveness against continental European firms has improved in the last three months despite cost pressures.

The survey finds that the overseas market is holding up better than the domestic market. Only 5 per cent of companies say their overseas business is below normal, and 14 per cent say it is better than normal.

Average operating costs per transaction have fallen for some companies over the last three months because of a growth in business volumes.

However, costs are rising for finance houses, building societies, general and life insurance companies, securities trading and venture capital companies.

Investment intentions have weakened significantly since March, though investment in information technology is expected to continue to grow strongly.

The CBI says that the deterioration in investment prospects reflects uncertainty about demand and future business.

Galina Brezhnev gets menagerie back

By Leyla Boulton in Moscow

THE daughter of Leonid Brezhnev, the disgraced Soviet leader, is set to recover her Mercedes, dacha, and a collection of stuffed animals worth Rbs 80,837 ($137,600) the Communist Party youth newspaper has reported.

A Moscow district judge had found in favour of Mrs Galina Brezhneva after she challenged a supreme court ruling confiscating family property when her husband, Mr Yuri Churbanov, was sentenced to 12 years in jail for taking bribes.

Traditionally, the move might have been seen as a clear political gesture to woo supporters of the old Brezhnev regime, but today it seems more likely to indicate the growing independence of the judiciary from the political leadership. However, last weeks decision is also likely to cause widespread popular anger at the confirmation of riches accumulated by former Communist Party leaders.

Galina, previously married to a circus performer, argued that the state had no right to confiscate belongings which were in fact hers rather than her husband's.

Mr Churbanov's career was a classic example of nepotism during Mr Brezhnev's rule. He rose quickly through the ranks to become a first deputy interior minister after he married Galina in 1971. His conviction and sentencing in December 1988 ended the most controversial trial in a crackdown on Brezhnev-era corruption.

His wife will also retrieve furniture, chandeliers, a collection of weapons and Rbs 65,492 in savings, the newspaper said.

"The Mercedes was given to my father as a present by some government figure," Galina told Moscow's Kransnopresnensky District Court. "I have a driving licence and I used to drive the car. My father was not in the habit of giving presents to my husbands."

The newspaper, listing Galina's explanations of how she came to own various items, also quoted her as saying that she had raised half the money for the dacha by selling a sable fur coat and a pair of diamond earrings. The rest was a gift from her mother, she said.

The newspaper did not say when the judge, named as A. Yerokhin handed down the ruling. Nor was it clear whether higher authorities would seek to challenge the verdict, and prevent Galina from resuming her luxury-loving life-style.

In a separate development, Mr Lev Zaikov, a senior member of the current ruling Politburo, was reported to have handed over his luxurious country home to the Soviet Children's Foundation.

Fresh UK allegation over miners' funds

By John Gapper, Labour Editor, in London

THE NATIONAL Union of Mineworkers last night faced a fresh allegation over the handling of funds during 1984-85 pit strike as Mr Arthur Scargill, its president, reiterated his innocence of "anything criminally wrong."

Mr Scargill rejected a suggestion to be made tonight in a television documentary that the NUM was responsible for presenting a forged document to the inquiry by Mr Gavin Lightman, QC, into the use of donated funds.

Speaking on the eve of his union's annual conference in Durham, north of England, he said he would be happy for up to £1.4m ($1.72m) donated by Soviet and east European miners to be returned to the NUM by the Paris-based International Miners Organisation.

Mr Scargill, who may today face questions on the Lightman inquiry in a closed session of the conference, said he would not resign as president of the IMO - which controls accounts in which the money has been placed.

He said it would be "completely barmy" if the NUM had to sue the IMO for the return of this money. "I am quite convinced there can be a solution to this problem and I explained that to the inquiry," he said.

If it could be shown that $1m donated by Soviet miners during the strike, and later added to by donations from other countries, was intended for the NUM then he would be happy for the money to be returned.

Mr Roger Windsor, the NUM's former chief executive, will say in a television documentary that his wife's signatures were forged on a document presented to the inquiry by the NUM.

The deed, dated September 1987, says that Mr Windsor owes the IMO £29,500 as the repayment of a bridging loan made to him by the NUM during the strike. Mr Windsor originally claimed that the money came from Libya, but Mr Scargill denied this.

However, Mr Scargill said he could not have been responsible because the deed was taken away and returned with signatures by Mr Windsor. He said an investigation might be needed but "it certainly has nothing to do with me."

Although there may be some dicussion of the Lightman inquiry at the conference today, members of the NUM executive said they believed any action against Mr Scargill would have to follow a further inquiry into the Russian donations.

Some executive members think that disciplinary action or a police inquiry could follow a investigation by an international lawyer into funds donated by miners abroad to help British miners during the 1984-85 strike.

Gorbachev warns of split

Continued from Page 1

KGB, and any abandonment of democratic centralism (the dictatorship of the highest party bodies) in the party rules.

He also declared that German re-unification was "not a unification, but an annexation, or a swallowing up, of the GDR by the Federal Republic." That position was immediately attacked by Mr Shevardnadze, who aid: "The people of the GDR are deciding their own fate, no one else."

As for Mr Yakovlev, Mr Gorbachev's most reformist ally, he came in for bitter criticism for "connivance to separatism in the Baltic republics," "disorganisation of Comecon and the Warsaw Treaty," and "the loss of Eastern Europe." He hit back with angry criticism of the party die-hards.

"If a people turns its back on the party, it is a matter for the people," he said. "By a decision of the congress, or by a decision of the central committee . . . we cannot repeal the fact that the productivity of labour in South Korea is 10 times higher than in North Korea, or that people in West Germany live better than they do in the East."

The congress should switch to election of a new central committee and party leadership in the next two days, to close on Thursday, but there is still a huge backlog of delegates trying to speak.

Farm trade tops agenda

Continued from Page 1

to the summit participants-seeking assistance to tide over his country's economy for two years while its reform programme comes into effect.

President Bush plans to contact Mr Gorbachev directly after the Houston summit. US officials hinted that the Soviet leader might be invited to future annual World Economic Summits, the next of which takes place in Britain in 1991.

No such harmony existed on the vexed issue of agricultural trade. Mr Frans Andriessen, the EC trade commissioner, made clear in Houston that the EC was not prepared to dismantle its agricultural system to meet US demands.

The US and Canada want this week's summit directly to address the three agricultural issues of dismantling export subsidies, increasing market access and reducing domestic farm supports.

Although the finance ministers of the seven summit countries will be in Houston, British officials said there would be no new comments in the communique about exchange rates.

However, the leaders will devote time to the environment with America's partners anxious to persuade President Bush to abandon his reluctance to make a specific commitment about controlling carbon dioxide emissions.

Bernard Tapie

Adidas, a winner in Rome, falls to Tapie of France

By Ian Davidson in Paris and Andrew Fisher in Frankfurt

MR BERNARD Tapie's acquisition of 80 per cent of Adidas, the West German group which equipped 15 of the 24 football teams in the World Cup in Italy including the West German national side, signals a restructuring for the French entrepreneur's holding company.

The company, Bernard Tapie Finance (BTF), is best known for buying lame duck companies and quickly reselling them. But Mr Tapie said yesterday, "This is an acquisition for the long term and not a round trip. We shall stay for at least ten years."

The annual turnover of the family-owned Adidas group, which beats such rivals as Reebok and Nike to be world leader in sports shoes, is some 15 times greater than that of BTF and Mr Tapie is expected to finance the deal, announced on Saturday, through the disposal of existing businesses.

He would not say how much he is paying for Adidas, beyond asserting that it is "a very, very good price." He stated that "in the year ahead, the most important activities of BTF will be sold."

The BTF stable consists mainly of four companies all of which were bought after going into receivership: Testut, a manufacturer of industrial weighing machines; Terraillon which makes domestic weighing machines; La Vie Claire, a producer of dietary foods; and Donnay, the Belgian manufacturer of tennis racquets. In addition, BTF has 1.6 per cent of the leading French television station, TF1.

Last year turnover at BTF rose from FFr606m to FFr1bn ($178m) but profits fell steeply, tumbling by 54 per cent to FFr27.7m.

Worldwide sales at Adidas last year, including licensing revenues, totalled DM4.6bn ($2.73bn).

One aspect of the deal is that it will not only leave Adidas's existing management team in place but will also provide chief executive Mr René Jäggi and his immediate lieutenants with an equity stake. Adidas made a loss in 1989 but has forecast a return to some sort of a profit for 1990.

Adidas employs 9,500 people worldwide, its biggest markets are Germany, France, and the US. It has shed labour in the last two years as part of its cost-cutting strategy, with the German workforce down by 1,600 to 3,300.

Mr Jaggi, 41, who became chief executive just over two years ago, said recently that Adidas could achieve its goals alone but that progress would be quicker with a powerful partner.

Founded by Mr Adi Dassler in the north Bavarian town of Herzogenaurach 42 years ago, Adidas's main sources of revenue are football and tennis, though it is involved in other sports such as athletics.

In the World Cup, which ended in Rome last night, Adidas not only kitted out the West German side: the team manager Mr Franz Beckenbauer has a lucrative promotional contract with the company.

Argentina, the other finalist, was only partly equipped by Adidas - Diego Maradona wears shoes from Puma, the rival company set up by Mr Adi Dassler's brother Rudolf and now controlled by the Swedish group, Aritmos.

THE LEX COLUMN

The world without the Globe

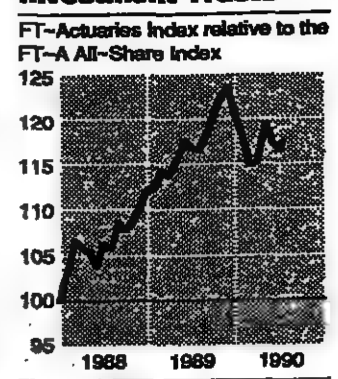
Globe is dead, long live Foreign & Colonial: so said the UK investment trust enthusiasts on Friday as they faced up to life without the largest trust in the sector. Since the demise of TR Industrial and General in 1988, the future of the big general investment trust has looked ever more doubtful. F&C has survived for the right reason: its excellent investment record. Other general trusts will need to do the same.

The sector's old problem is that institutions have little use for the large general trusts and their irritating discounts; while private investors, for whom the trusts seem ideal, lack the clout to take their place. The use of savings schemes is helping; but investment trusts have not developed the life assurance, mortgage and pension-linked policies that have helped their unit trust rivals.

But investment trusts as a class show little sign of dying. Sponsors have shown continued ingenuity in producing specialist vehicles, particularly country funds. It is estimated that enough new capital has been raised in the past year alone to replace Globe. And niche markets, where investors find it expensive to build diversified portfolios, are where closed end funds offer the best value. In illiquid markets, open-ended funds can be crippled by the need to meet redemptions. And investment trusts retain their cost advantage over unit trusts, a factor which ought to be as important in the investment sector as in any other industry.

Investment Trusts

FT–Actuaries Index relative to the FT–A All–Share Index



Lloyd's

Not before time, the ruling council at Lloyd's of London is showing signs of facing up to the pressing business questions of the 1990s. The atmosphere on the insurance market's 12th floor, where the council meets, seems to have changed palpably in the last nine months or so.

Commercial innovations which not long ago would have suffocated in bureacracy and internal power-politics are receiving official support. Granted, the market still has hanging over it the US asbestos and pollution claims painfully exemplified by the Outhwaite affair: the marine insurance market is so depressed that some Lloyd's agents think it is in terminal decline: and the market's rising expense ratio must be brought under control. But last week produced welcome further evidence that the Council is prepared to listen to ideas from market practitioners. Lloyd's has officially approved the idea of its syndicates selling all classes of insurance direct to the public. And the Council has more or less endorsed the notion of Names spreading their risks more easily via a quasi-unit trust scheme, giving even the least wealthy Names interests in a wide range of syndicates.

These initiatives address Lloyd's two big problems in the 1990s: opening up new distribution channels and safeguarding its investor base. But Lloyd's could go further. With Mr David Coleridge anointed as the next chairman, Lloyd's will quite soon have to think about finding a new chief executive to succeed Mr Alan Lord. Some at Lloyd's reckon the council should choose a bright, marketing-oriented manager from industry, not from Whitehall or the City. This sounds like the right approach.

Hanson/Newmont

It is a year since Hanson agreed its biggest ever takeover, the £3.3bn purchase of Consolidated Gold Fields. While no-one is suggesting that Hanson is not going to make a lot of money out of the deal, it is not producing the quick and easy profits of previous moves such as SCM and Imperial. In the year up to the Gold Fields bid, Hanson shares outperformed the market by nearly a third. Since then they have modestly underperformed.

There are several reasons for that, ranging from the weakness of the dollar to the impact of the economic slowdown on some of its basic businesses. But Hanson is taking longer than many expected to unlock the value of Gold Fields. Its strong balance sheet means that there is no pressure to sell off assets cheaply. On the other hand, its ability to mount another mega-bid would be improved if it could lift the paltry returns on its $1.5bn minority investment in Newmont Mining, parent of the biggest US gold producer.

There are two types of Hanson acquisition. It either retains the basic businesses and raises margins, or makes a turn by breaking them up. Gold Fields is different, in that Hanson is apparently having to inject yet more money before it can unlock its full potential. To date, it has recouped roughly a third of its original investment through disposals. But it has also invested another £700m-plus to acquire Peabody Coal, at roughly twice book value, in order to recapitalise the heavily indebted Newmont Mining. This may all make long-term sense. But unless Hanson has changed its spots, it does not like being exposed to a commodity whose price it cannot control, especially via a minority investment. If the Newmont position is not resolved by the end of the year, the Hanson bulls deserve to be disappointed.

Art

The record prices paid for Van Gogh and Renoir in May were misleading; the froth has been rapidly disappearing from the art market. Last month's Impressionist and modern art sale in New York, when 40 out of 70 lots were unsold, seems to have rammed the point home. Masterpieces may still fetch a premium, but nobody is buying the humdrum.

It is an open question whether the percentage of items left unsold is as important an indicator as the total raised per sale. Christie's points out that sales in Old Masters and furniture are rising more than a year ago. But auctions with large percentages of stock unsold hardly encourage the market. Buyers are likely to sit back: sellers are likely to withdraw. Enthusiasts may say that the speculators are being driven out of the market in favour of the "real" collectors; but that is simply code for saying prices will be dull.

In share price terms, Sotheby's has been far more affected: partly because of its greater willingness to give guarantees, partly because of its bold stake in a joint venture to buy the stock of the Matisse gallery. Christie's price has been supported by Mr Ashcroft pushing his stake over 20 per cent. But is hard to see the profit in a hostile bid for a people-dependent company like Christie's.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	25	77
Algiers	S	27	82
Amsterdam	Dr	17	63
Athens	S	32	90
Bahrain	S	37	99
Bangkok	F	35	95
Barcelona	S	26	79
Beirut		–	–
Belfast	C	13	57
Belgrade	C	21	70
Berlin	C	18	65
Biarritz	S	22	72
Bombay	F	26	79
Bordeaux	S	25	77
Boulogne	C	20	68
Brussels	F	21	70
Budapest	C	20	68
Buenos Aires	C	16	61
Cairo	S	36	97
Cape Town		–	–
Caracas	C	29	84
Casablanca	S	24	75
Chicago	S	32	91
Cologne	[illegible]	21	70
Copenhagen	C	15	59
Corfu	S	29	84
Dallas	S	29	84
Dublin	[illegible]	15	59
Dubrovnik	S	25	77
Edinburgh	F	16	61
Faro	S	29	84
Florence	S	29	84
Frankfurt	F	[illegible]	[illegible]
Geneva	C	23	73
Gibraltar	S	25	77
Glasgow	R	13	55
Helsinki	F	20	68
Hong Kong		–	–
Innsbruck	R	16	61
Inverness	R	15	59
Islamabad	F	37	[illegible]
Istanbul	F	25	77
Jakarta	C	32	[illegible]
Jersey	C	17	63
Johannesburg	S	20	[illegible]
Lima	C	17	64
Lisbon	S	30	86
London	F	22	72
Los Angeles		–	–
Luxembourg	C	18	[illegible]
Madeira	S	26	79
Madrid	S	32	90
Majorca	[illegible]	29	84
Malaga	S	27	81
Malta	S	25	77
Manchester	F	17	63
Manila	C	23	73
Melbourne	C	13	57
Mexico City	C	22	72
Miami	S	27	82
Milan	S	27	81
Montreal	C	17	64
Moscow	F	30	[illegible]
Munich	R	16	61
Nairobi		–	–
Naples	F	29	84
Nassau	F	32	91
New Delhi	R	29	84
New York	C	22	72
Nice	S	25	77
Nicosia	S	29	84
Oporto	S	31	[illegible]
Oslo	[illegible]	12	54
Paris	C	22	72
Peking	S	32	91
Prague	C	17	63
Reykjavik	C	12	54
Rhodes	S	29	84
Rio de Janeiro	C	27	82
Rome	S	27	81
Salzburg	R	13	55
San Francisco	C	15	59
Seoul	F	30	86
Singapore		–	–
Stockholm	S	20	68
Strasbourg	C	18	[illegible]
Sydney	S	16	61
Taipei	F	33	91
Tangier	S	29	84
Tel Aviv	S	32	90
Tenerife	S	25	77
Tokyo	C	25	77
Toronto	S	17	64
Tunis	S	28	84
Valencia	S	29	84
Venice	S	23	75
Vienna	C	17	63
Warsaw	F	20	68
Washington	C	22	72
Zurich	C	17	64

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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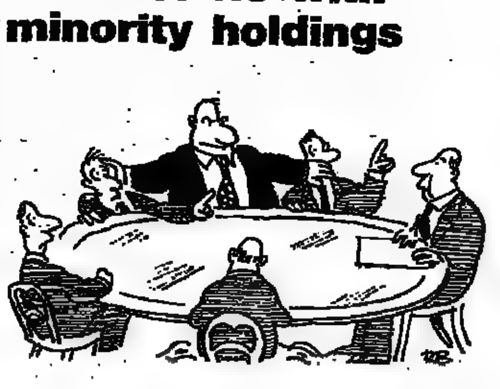
INSIDE

The trouble with minority holdings



With a hostile shareholder is on the register it can be difficult running a company. And when that hostile shareholder has a stake of over 40 per cent that task becomes close to impossible. Quoted companies can find that defensive victories in takeover battles can be distinctly pyrrhic. The continuing presence of a predator with a major stake in the company only prolongs the state of siege and under Takeover Panel rules, it may be only a year before the bid process starts over again. Philip Coggan looks at cases of troublesome minority holdings. Page 22

Strong links in Italian steel

It will be the most important collaboration and restructuring exercise for more than a decade between Italian public and private steel companies. Next January, Ilva, the state steel company and Falck, the leader of private sector Italian steel, are due to have eliminated all significant overlapping activities. Mr Alberto Falck, president of the family-controlled, stock market listed group, said that the agreement – signed last Friday – would streamline his company and put it closer to a leadership position in various European markets. John Wyles reports. Page 20

Expecting an alternative suitor for Enasa

It is widely expected in Spain that a third party is about to step in and bid for Enasa. The Spanish truck maker is currently the subject of a Pta28bn ($277m) offer for 60 per cent of its shares from Daimler-Benz and MAN of West Germany. But the West German Cartel Office and the European Commission have raised objections to the deal. Daimler said on Friday that it was looking for further ways to hold the acquisition together, writes Peter Bruce. Page 20

Market Statistics

Companies in this section

Sweet smell of surrender

Maggie Urry on how British Sugar could fetch a high price for Berisford

If the number of bees buzzing round the British Sugar bowl is a measure of the group's worth, then some sweet prices can be expected when the auction now apparently being set up gets going. As a monopoly supplier of an everyday product, with prices guaranteed by the EC, British Sugar is an attractive business.

Throughout the 1980s British Sugar seems always to have been on the verge of changing hands. Last Thursday its parent company Berisford International, whose financial difficulties are well-known, effectively put British Sugar up for sale once again.

Friday saw the first public expression of interest, from Associated British Foods, the milling and baking group headed by Mr Garry Weston. ABF put out a statement saying it was interested in buying British Sugar. No other formal approaches have been announced, though market gossips thought up names of a number of possible buyers.

The successful buyer in an auction may not be the highest bidder, though. Since British Sugar has nearly half the UK sugar market its owner must be acceptable to the competition authorities. There might also be time pressures on Berisford. ABF was suggesting last Friday that given Berisford's high level of debt, it cannot wait long to raise some cash. Berisford's response was that it was relaxed, and happy to wait several months to sell British Sugar. Both sounded like negotiating ploys.

ABF has over £1bn ($1.79bn) in cash and was cleared by the Monopolies and Mergers Commission as a suitable owner of British Sugar when it bid for Berisford in 1987. That gives ABF an advantage over other possible bidders, although clearance again is not automatic. "Mr Weston is in the driving seat," says Mr Tim Potter, food analyst at Smith New Court.

However, ABF is also renowned for its carefulness with cash. The bid for Berisford in 1987 was the first Mr Weston had launched since taking charge of the group in 1967, and he pulled out when the stock market tumbled. He is determined not to overpay for British Sugar.

Berisford, on the other hand, needs to extract as high a price as possible to help pay off its considerable debts. It must consider the capital gains tax on the sale – which could be around £200m – though its bankers may be able to think up ways of avoiding that.

Clearly British Sugar will now fetch far more than the £282m Berisford paid for it in 1982. A better starting price for an auction might be that put on British Sugar when Berisford agreed to sell a 70 per cent stake in it to Ferruzzi, the Italian agricultural products group, for £425m in 1987, a deal blocked by the Monopolies Commission. That valued the whole at £607m. To that might be added a premium for 100 per cent control.

A bidder would have to take on British Sugar's debt, of around £250m – a figure which fluctuates through the year as the group first builds stocks in the autumn and winter as sugar beet is processed in its 12 plants, and then runs them down during the spring and summer. Mr Potter is at the lower end of estimates, saying a fair price might be in the range of £750m to £1bn. He estimates pre-tax profits in the current year, to end September, of £95m, and suggests a 14 to 15 times earnings multiple would be fair.

The multiple he puts forward is below some of the prices paid for food companies of late. But it takes account of the fact that sugar is a commodity product – with little real branding potential – in a mature market. Processors have to deal with the vagaries of the Common Agricultural Policy, which sets the amount of sugar processors are allowed to sell through a quota system and the buying and selling prices. Currently, reasonably efficient processors can make a good margin, but that could change.

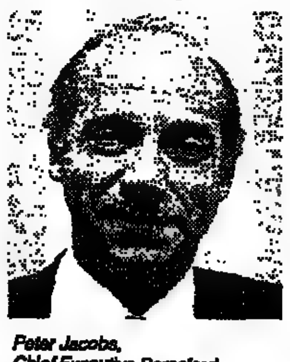
On the plus side, British Sugar has a monopoly position in a stable market. Investment in its plants has been reasonably high in recent years, though there are further economies which could be made. Cash flow is strong – post tax profits last year were £54.7m and depreciation was £23.8m.

Mr Michael Landymore, food specialist at Henderson Crosthwaite, puts a 12½ times value on next year's post-tax profits, which he estimates at £90m. That gives a more generous value of £1.125bn. Even at that price, says Mr Landymore, ABF's earnings would be slightly enhanced next year assuming that falling interest rates would reduce the return on ABF's cash mountain.

Similar values for British Sugar can be reached by looking at the recent acquisition by Südzucker, the West German sugar group, of Raffinerie Tirlemontoise, the Belgian beet processor. Südzucker paid $990m for Tirlemontoise, which has an 'A' quota – sugar which can be sold within the EC at or above support prices – of about 475,000 tonnes. British Sugar's 'A' quota is 1.04m tonnes. Taking the Tirlemontoise price as a rule of thumb, British Sugar's "quota" might be worth £1.2bn.

The bidding has started with ABF and Berisford apparently a long way apart on a price, and other bidders yet to make themselves known. The winner may be the one with the strongest nerves not the longest pockets.

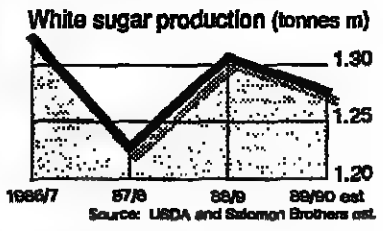
British Sugar



Peter Jacobs, Chief Executive Berisford

£million	1980	1985	1989
Turnover	439.4	637.7	677.6
Profit on ordinary activities (pre-tax)	34.2	53.6	82.3

White sugar production (tonnes m)



Source: USDA and Salomon Brothers est.

- 1982 Berestord buys British Sugar for £282m.
- 1986 Hillsdown, Tate & Lyle, Ferruzzi each try to buy Berestord or British Sugar. MMC reference, Hillsdown pulls out.
- 1987 MMC blocks Tate and Ferruzzi bids, Ferruzzi sells stake to Associated British Foods.
- October 1987 ABF bids for Berestord but pulls out after stockmarket crash.
- 1990 Tate considers bidding again, but drops bid

Odious comparisons on interest rates

By Anthony Harris in Washington

There is at present growing talk of a recession in the US, as the downturns in construction and defence supplies depress new regions. As usual, this is provoking political questions about the role of the Federal Reserve, which is accused of refusing to admit the existence of a prudential credit crunch, and compounding Washington's difficulties with the budget by refusing to cut interest rates.

The markets keep pressure on the Fed, but from Washington it looks as if quite a strong case could be made for doubt. The economy has certainly weakened since the beginning of the year, yet policy has not moved. On a world view, though, Fed immobility makes much more sense. Demand has shot up in Europe and Japan, and interest rates there have responded. As relative rates change and resources have to be shifted, it makes good sense to use Fed policy as a pivot, the still centre of a turning world.

In any case, Fed policy is not unchanging. The latest (highly credible) leak says that the Federal Open Market Committee (FOMC) moved last week. It has now instructed the trading desk to stand by for an easing move if the economy weakens any further. This will probably mean no more than following market rates down rather than resisting any softening.

That is how it has been done in the past, and is the decision which was forecast just before the FOMC meeting by Bill Hudson and his group. Hudson is an Ohio business consultant (so tall that he made a plausible shadow for Paul Volcker, but is now more implausible playing the Greenspan role). He chairs a team of mid-Western business economists and executives who meet every six weeks in Toledo, the depressed "glass capital of America", and try to put themselves in the FOMC's shoes.

They compile their own Tan Book of current conditions from their business contacts, and are advised by their own economists. Thus they have achieved an impressive forecasting record – certainly good enough to persuade them that a day of this play-acting is a day well spent from a business point of view. (It certainly seems a more useful exercise than the academic/financial Shadow Open Market Committee, a dogmatic, monetarist group which meets to criticise the Fed rather than guess what it will do next.)

Practical men, then, can readily understand the Fed; and a visit of even a day or two to London is enough to make that look a very enviable standard. What on earth has been going on in Britain? It seems to defy both practical and theoretical sense.

First the authorities presided complacently over a runaway house price boom, which had obvious implications for credit growth; then they made doubly sure by introducing the poll tax, which raised the value of high priced houses and the income of those who owned them, so that they could service more debt. Then the inevitable (and long-forecast) results followed, and they panicked.

Now we seem to be on the other side of the curve. House prices have softened, and mortgage payments are up so sharply that borrowers have been forced either to lengthen their mortgages, or refinance their other debts. Meanwhile, depositors enjoy sharply higher incomes.

This inflates both sides of the monetary balance sheet. It is described by the Chancellor as a credit boom; to an occasional visitor with a memory of past episodes of this kind, it looks more like a typical British crunch. Those who think they can learn everything from the raw numbers never could tell the difference. One of Mr Greenspan's habitual lectures on how misleading the money numbers can be might do the world of good in London.

Of course, the Fed has the advantage of independence, and Bank of England apologists would claim that if Mr Lawson had had his way, and made the Bank independent, everything would have gone well in the UK.

The point cannot be disproved, but I remember that when we had a rather similar property-based credit boom in the early 1970s, monetary policy was pretty much made in Threadneedle Street, and did not work very much better. The Fed, of course, made bad mistakes in the 1970s, and learned from them. The Bank may have learned, too, but is not allowed to prove it.

On prudential matters, by contrast, the British would seem to have the best of the comparison. We had some nasty banking failures in the 1970s, but this time the pain looks less than fatal. There is certainly no parallel to the carnage among American intermediaries – all the major banks in Texas (and hundreds elsewhere), and above all the savings and loans.

The S&L mess, like some rotting carcass washed up on the tide, is still less than half revealed as the water recedes. There has been some criminality, and much embarrassing political involvement (including, of course, the President's son), and both sides in Congress are hoarding dirt for what one leader has promised will be major league mud-slinging. But the really expensive mistakes were made by policy-makers, regulators and managers.

The managers got in first: they behaved during the inflation of the mid-1970s as if they could always expect adequate deposits despite low regulated interest rates; so they continued to grant mortgages at low fixed rates. As a professor of finance explained recently: "The people who ran away with most of the money are people like me, who are still paying off mortgages at 6 per cent."

This ensured that the S&Ls would be effectively bust in the Volcker era; but at this stage Washington was not prepared to bale them out.

It abolished the protective limit on rocketing rates for savings (otherwise the S&Ls, and for that matter the banks, would have lost all their deposits to the money market funds); and it allowed them to go in for high-risk, high-return lending in an effort to earn their way out of trouble. The harder-pressed S&Ls soon securitised their safe assets, and sold them in the market. They lent the proceeds in any hare-brained scheme that promised a high return, or bought junk bonds.

Hence the huge and growing deficiency in Mr Bush's clean up: many of the assets supposed to back the federally insured deposits have melted away, and the rest are being actively devalued by the rescuers through dumping.

But the root of the problem was a commercial misjudgment about interest rates. The S&Ls collapsed because they did not believe how high rates could go. Yet to be heard from: the insurance companies and funds which sold guaranteed-income schemes on the belief that rates could never fall again.

Economics notebook

French job achievements

FRANCE'S unemployment rate is worse than any other OECD member except Spain, Italy, Ireland and Turkey. So it comes as some surprise to hear Insee, the state economics and statistics institute, hail employment as the major achievement of the French economy last year.

"Incontestably, the good result of 1989 is employment," comments Mr Marc-Antoine Kleinpeter, editor of Insee's annual national accounts report*.

Popular perception, however, is rather different. Insee's own soundings of household opinion of the economy shows that only 15 per cent of those questioned think the employment situation has improved in recent months, while 43 per cent think there has been no change, and 36 per cent consider it has deteriorated slightly or considerably.

Public opinion seems to be wrong, for there are substantial signs to back up Insee's judgment that French growth is now much richer in employment. Not only did the unemployment rate diminish last year to 9.5 per cent – a figure which, according to Insee, may in fact exaggerate the reality if international definitions are used – but job creation continued apace, with gains in every major sector except agriculture and energy.

Insee points out, in particular the increase in the creation of permanent jobs – 320,000 last year – while the expansion of temporary and short-term working slowed and the number of state-sponsored work experience places diminished.

Does the apparent public pessimism about the employment outlook mean that France can sustain for a while longer its considerable wage moderation? The question is an important one at a time when the debate over "sharing the fruits of growth" is raging.

The debate has so far focused on the two extremes of the scale: the rich, with proposals for tougher capital taxation, and the lowest incomes, with last month's 2.5 per cent increase in the minimum legal wage, or Smic, and the opening of negotiations on sectoral minimum wage agreements.

As Mr Pierre Bérégovoy, the finance minister, observes, the problem is not just the level of the lowest wages, but the flattening of the wage hierarchy and the concentration of wage-earners at the bottom end of the scale. In 1979, the average qualified worker earned 81 per cent more than the Smic; ten years later, the gap was only 68 per cent.

The point is rubbed in by Insee, which notes that the countries which have suffered the least from unemployment over the last 15 years are those with the widest spread of wages, such as the US, Japan, and Norway.

"The labour market today appears very segmented, with an inadequate supply of qualified labour coexisting with an excess supply of ill-adapted unqualified labour. Its proper functioning and a better adaptation of supply to demand can only be translated into an opening up of the spread of salaries in the near term; efforts of primary and continuous training may later contribute to narrowing the spread," comments a study group including Government and private sector economists organised by the national planning organisation to look into medium-term economic prospects**.

Monetary reproof

This same study group sounds a discreet note of reproof over the glibness of the European Monetary Union debate in France. While noting that France's freedom of budgetary manoeuvre is already limited, the group questions the suggestion of the Delors report that each country's budget policy would have to be subject to central control and possible sanction.

"This is the heart of the question of transfer of sovereignty. The debate is now open; given the importance of what is at stake, we cannot accept that it should be treated under the counter," the group says.

The loss of sovereignty involved in the Delors proposals is a problem which has been raised by Mr Edouard Balladur, finance minister in the 1986-88 Conservative Government of Mr Jacques Chirac. Arguing that a single European currency represented a loss of sovereignty "incompatible with the actual situation in Europe and in my eyes unacceptable to France," he proposed in May a common 13th currency, resembling the later "hard ecu" proposals of UK Chancellor Mr John Major.

Others, including ex-President Valéry Giscard d'Estaing, argue for a single currency, but more because they feel it is the only way of escaping the all-engulfing D-Mark than from any particular conviction that this is the right solution.

How long will it be before France's socialist MPs, frustrated by the difficulty of influencing the Government's budget choices against the twin imperatives of deficit reduction and European tax harmonisation, come to feel that Mr Balladur has a point?

*1989: Une économie plus forte, Insee, FFr130. **L'économie française: diagnostic a moyen terme, Documentation Française, FFr80.*

George Graham

THIS WEEK

THE FOCUS this week remains on the US, where the 16th annual world economic summit takes place in steamy Houston, Texas.

Finance ministers will air contrasting views on aid to the Soviet economy. Dissent between the US and EC could also emerge over the agricultural support payments in the Uruguay Round of trade negotiations.

Paying the cost of environmental protection from global warming could also split the summitteers.

On the European front, the UK steps up its fight for an evolutionary approach to European Monetary Union. Mr Robin Leigh-Pemberton, Governor of the Bank of England, will explain plans for a "hard Ecu" to other central bankers in Basle, Switzerland on Tuesday. The "Major plan" – launched by the Treasury – reflects Government scepticism over the Delors proposals and calls for a 13th currency to circulate alongside the existing 12.

In West Germany, retail sales for June will be greeted with interest by the markets but will not tell much about post-German unity demand levels as yet. It will be many weeks before reliable, dissectable monetary and economic data emerges.

The statistical fog surrounding the UK economy should lift slightly this week after the latest inflation data. Mr Major has warned of slow progress. Today, the June producer prices data should give the markets a clear signal about the rate of UK headline inflation to be released in the retail prices index on Friday.

Input prices are expected to fall 1.1 per cent on the month, while output creeps higher and the RPI edges closer to 10 per cent.

Other notable events and statistics, with median forecasts from MMS International, the financial research company, include:

Today: UK, provisional producer input (down 1 per cent) and output prices (0.4 per cent) for June. US, consumer credit for May (up 1.6 per cent). Houston, World Economic Summit meeting (continues until July 11). Group of 10 central bankers meet in Basle, Switzerland (continues until tomorrow).

Tomorrow: Mr Leigh-Pemberton explains the UK hard-Ecu proposals to sceptical EC central bank governors in Basle. US, congress reconvenes after July 4 holiday, May wholesale trade. Canada, department store sales, new housing price index. Japan, machinery orders for May. Australia, February average weekly earnings, revised.

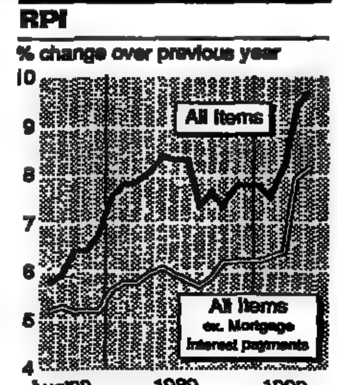
Wednesday: Japan, Governor of Bank of Japan holds regular press conference. New Zealand, food price index for June. US, retailers first quarter finance report.

Thursday: UK, capital issues and redemptions for June. German Bundesbank holds its first council meeting in East Berlin. Federal Reserve chairman Greenspan testifies before Senate Banking Committee on possible changes in banking laws. US, housing completions, money supply data. Australia, June employment growth

Friday: UK, retail prices index (9.8 per cent) for June, usable steel. US, producer prices for June (0.2 per cent) including ex-food and energy (0.3 per cent) retail sales (0.5 per cent).

RPI

% change over previous year



INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Banks gear up offers to power companies

INTERNATIONAL banks are getting ready to make offers to finance the dozen private electricity distribution companies to be set up in the next stage of the British Government's privatisation programme.

The 12 regional companies – the DisCos, in the jargon – are expected to need £2bn ($3.4bn) or more in finance from banks and are about to begin talks with bankers. The exercise in raising standby financing from banks is to be carried out in the same way as that of the water companies last year. More than £7bn was raised then, with banks being paid an average of just over 10 basis points (one-tenth of a percentage point) a year to keep the facilities in place.

"The bidding for electricity is likely to be equally aggressive, based on the lack of high-quality alternative lending opportunities in the UK. Some Japanese banks, despite increasing concern about returns on capital, are thought likely to seek mandates keenly.

The two electricity generating companies – Powergen and National Power – and Gridco, the electricity network, are expected to seek funds later.

Elsewhere, a group of mainly Japanese banks won a keenly contested mandate to raise $150m from international banks for the Public Power Corporation of Greece. It is paying more for its funds than last year, in spite of what some banks saw as a fairly aggressive bid from the group. The four-bank group is headed by Sumitomo Bank.

The eight-year credit, with a five-year grace period, will carry a margin of 45 basis points over London interbank offered rates for the first four years, and of 50 basis points for the remainder.

The credit is treated differently by central banks. British banks are among those required to put the full 100 per cent weighting in providing capital. Other central banks define the corporation as a sovereign borrower, giving it a 20 per cent weighting.

Stephen Fidler

INTERNATIONAL BONDS

Luxembourg eyes foreign investors

THE REMOVAL of restrictions on new issues in the Luxembourg franc bond market may not be enough to secure the future of one of Europe's smaller but more profitable markets.

The changes, adopted last week, are intended to boost liquidity and enhance the market's appeal to foreign investors. But if Belgian withholding tax were abolished, or a Belgian franc Eurobond market sanctioned, the rationale for investment in Luxembourg franc bonds could disappear.

Currently, most investors are Belgian. Mr Frank Reinert, syndicate manager at Banque Internationale à Luxembourg, reckons that 80 per cent are retail investors. Belgian investors have to pay a withholding tax, recently dropped to 10 per cent, on domestic bonds. But Luxembourg franc bonds are bearer instruments, making it easy to avoid payment of withholding tax. There is also no currency risk, because Belgian and Luxembourg francs are interchangeable.

Luxembourg bankers were galvanised into action by the need to attract a broader investor base. "There was a consensus among all the players to create a more transparent and more effective market," says Mr Henri Barthel, head of secondary market trading at Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg.

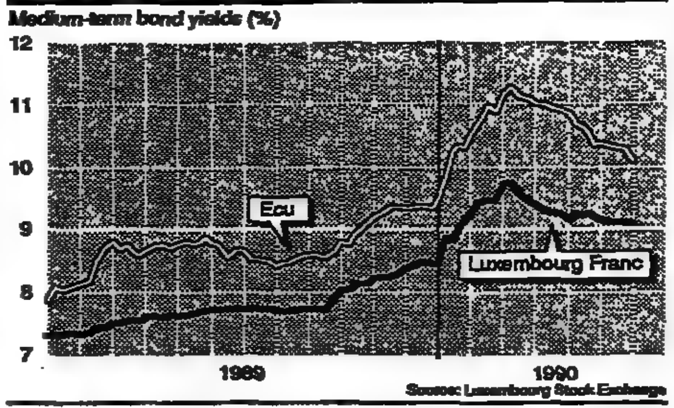
The limit of LFr1bn for a public Eurobond has been removed, and of LFr300m for private placements. Private placements can now be listed on the Luxembourg Stock Exchange. Liquidity should be further improved by the removal of minimum denominations.

Since July 1, five new issues worth LFr6bn have been launched, including the largest yet, totalling LFr2bn. Dealers believe issue sizes will increase to as much as LFr3bn. As well as the increase in issue sizes, co-lead managers will in future act as marketmakers.

Even before restrictions were lifted, a smattering of interest from the Netherlands and Switzerland was starting to appear, says Mr Barthel. Dealers say there are also signs of interest from France and Germany. Barthel believes that the pegging of the Belgian, and hence the Luxembourg, franc to the D-Mark will attract new interest, as Luxembourg franc bond yields offer a yield pick-up over German rates.

But Belgian bond dealers say it is hard to see why international investors would buy Luxembourg franc bonds. Foreign investors do not pay withholding tax on Belgian government bonds, which means these yield more, and offer greater liquidity, than Luxembourg franc bonds.

The most serious threat for the market would be the realisation of plans to open a market for Belgian franc Eurobonds, but this appears to be some way off.



Source: Luxembourg Stock Exchange

According to a senior official at the Belgian Ministry of Finance, the Government is not encouraging the development of a Euro-Belgian franc bond market at this stage. There is a reluctance to develop a market which would make it easy for Belgian investors to avoid paying withholding tax.

The priority is to refine domestic instruments, particularly government debt instruments.

The Government is, however, taking a number of initiatives to accelerate the resolution of tax problems. The International Monetary Fund has been asked to have a look at a range of tax issues from a broader perspective, in an attempt to harmonise cross-border tax issues such as withholding tax. This will be discussed by the IMF at board level in the next few weeks.

Belgium would like to see some minimum standards, limiting tax competition between countries, so that favourable tax treatment will be less of a magnet to capital.

Already, withholding tax on Belgian government bonds has been reduced to 10 per cent from 25 per cent, as part of Belgium's wide-ranging reforms of its money markets. Belgian bankers say this boosted domestic demand for government bonds. However, there was no significant tailing-off of demand for Luxembourg franc bonds, according to Mr Reinert. "We thought the consequences would be greater."

Tracy Corrigan

JAPANESE EQUITY WARRANTS

Success of Eurobond issue assuages fears

FEARS that profits from Japanese equity-linked Eurobonds were gone for good may be unfounded. The first Japanese equity-linked deal since new issues were suspended last March was enthusiastically received on Friday.

The $300m issue of four-year Eurobonds with warrants for Daikyo, a Japanese property company, was launched by Nomura International. The bonds, priced at par, carry a coupon of 4¾ per cent, ¼ point lower than anticipated.

It was quoted at 106, a substantial premium to its issue price of 100, when grey market trading started on Thursday. The coupon was re-assessed in the light of the issue's impressive performance.

The issue traded as high as 109 on Friday morning, before the lower-than-expected 4¾ per cent coupon was set, giving the accompanying warrant a value of 15 per cent of issue price.

Some market players were surprised by the issue's staunch performance, given the Japanese stock market's less-than-dazzling activity.

When the Japanese stock market dived this year, prices in the highly-geared equity warrant market fell more sharply. Many warrants lost more than half their value.

But investors appear undeterred. Half a dozen Eurodollar bond issues with warrants are due this week, totalling about $1.6bn, and underwriters say they have already received inquiries on some issues.

Meanwhile, the first Swiss franc bond with Japanese equity warrants is due today. Maruko, a Japanese real estate company, is slated to bring a seven-year issue totalling about SFr125m via Morgan Stanley.

● Rank Organisation, the UK leisure and electronics company, has completed a $300m private placement in the US market, taking advantage of the recently-adopted Securities and Exchange Commission rule 144a.

Tracy Corrigan

EUROMARKET TURNOVER ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,122.7	0.0	50.0	13,354.3
Prev	820.6	0.0	161.0	13,996.1
Other	1,026.8	0.0	593.7	6,415.1
Prev	2,555.7	0.0	91.0	4,727.6
Secondary Market				
US$	20,016.4	587.9	7,987.7	11,021.0
Prev	18,957.3	667.8	7,264.9	6,424.5
Other	20,618.3	1,469.8	4,776.7	38,557.8
Prev	22,310.0	1,146.8	4,467.0	31,956.5

	Cedel	Euroclear	Total
US$	23,158.7	30,981.3	54,140.0
Prev	20,056.5	30,235.7	50,292.2
Other	32,682.6	40,775.6	73,458.2
Prev	27,398.2	39,856.4	67,254.6

Week to July 5, 1990 Source: AIBD

TURNOVER TAX

City sees advantages in US levy on volume

IF THE US Administration decides to go ahead with a securities turnover tax, it will have strong support in the City of London.

A securities turnover tax, perhaps of 0.5 per cent, on sales of instruments such as stocks, bonds and futures contracts, is said to be under consideration. Easy to implement and collect, such a tax appeals as a levy on the rich, thereby balancing other parts of the package. It would also dampen the speculative churning of stocks and futures contracts.

But if it goes ahead, the US will be moving counter to most European countries, where turnover taxes are being abolished to ensure continuing competitiveness in domestic securities markets amid intensifying international competition.

The UK plans to abolish its turnover tax next year – institutions pay about 0.5 per cent in stamp duty. West Germany and the Netherlands are pledged to abolish theirs. Pressure is on the French and Swiss authorities to get rid of the tax. In Sweden, it was abolished as share trading in most big Swedish companies moved abroad.

Turnover tax works best where there is no alternative market. As share trading has become more international, helped by technology, it has lost effectiveness.

Because the US market is so big, the shares of many US companies are traded only in the US. The impact of the tax in the US would thus be smaller than in, say, Sweden.

But it would be difficult to stop US institutions trading through London and avoiding turnover tax on the many internationally-traded US issues. This will be even easier in the autumn when Nasdaq, the US over-the-counter market, is due to start up its international share trading service. For the International Stock Exchange, a turnover tax would help its SEAQ International service in one area where it has an acknowledged weakness – US stocks.

Stephen Fidler

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Okobank♦	60	1997	7	9⅜	102	Fuji Int.	8.978
Toyota Motor Credit(b)♦	250	1993	3	9	100.325	UBS Phillips & Drew	8.872
Tomen Finance♦	56.5	1997	7.2	zero	55.414	Nikko Secs. (Europe)	8.546
Lonrho Finance(g)#♦	170	1994	4	6⅝	100	Nomura Int.	6.825
Banca Comm. Italiana(e)‡♦	200	2000	10	25bp	100	Merrill Lynch	-
Nippon Steel Int. Fin.(h)‡♦	12	1992	1⅔	60bp	100.10	Nippon Credit Int.	-
Bk Expor Impor Indonesia♦	60	1995	5	9.45	100	Sumitomo Fin. Asia	9.450
Daikyo Inc.#♦	300	1994	4	4¾	100	Nomura Int.	4.750
AUSTRALIAN DOLLARS							
Dresdner Int. Finance♦	75	1994	4	14½	101½	Dresdner Bank	13.985
State Bank South Australia♦	200	2001	10½	5	61	Nomura Int.	12.877
Eurofima♦	75	1992	2.2	15	102	Bankers Trust Int.	13.798
Council of Europe♦	75	1992	1½	15¾	102	Hambros Bank	13.979
D-MARKS							
IBJ Leasing Co.★★♦	50	1995	5	9⅜	101⅜	IBJ Germany	9.021
Lavoro Bank Overseas(a)‡♦	300	1995	5	(a)	100	Trinkaus & Burkhardt	-
Top-Danmark♦	200	1995	5	9	101	Deutsche Bank	8.746
SWISS FRANCS							
Voralberger Kraftwerke★★♦	55	1995	-	7	101¼	Credit Suisse	6.698
SE Banken♦	100	2000	-	7⅛	102	Credit Suisse	6.842
Unilever Capital Corp.★★♦	100	1997	-	6⅝	101¼	UBS	6.308
Top-Danmark★★♦	80	1996	-	7½	101¼	Swiss Volksbank	7.236
Lavoro Bank Overseas★★♦	100	1995	-	7¼	101⅜	Merrill Lynch Cap.Mkts	6.915
STERLING							
Blue Circle Ind.Capital(d)§♦	90	2005	15	10½	100	Baring Brothers	10.776
Fuji Int. Finance(HK)(f)‡♦	60	1994	4	-35bp	100.20	Fuji Int. Finance	-
LIRE							
EIB(c)‡♦	250bn	2000	10	(c)	100	San Paolo Bank	-
Eurofima♦	200bn	1995	5	12⅛	101.35	Banco di Roma	11.759
LUXEMBOURG FRANCS							
Folder NV♦	1bn	1993	3	10	101.95	Kredietbank Int.	9.227
Banque Indosuez♦	2bn	1996	6	9½	101½	C.d'Epargne de l'Etat	9.164
ASLK-CGER IFICO♦	2bn	1996	6	9½	101½	BIL	9.164
Parbel Int. Finance♦	1bn	1995	5	9½	101.95	Bqe Paribas (Lux)	8.999
YEN							
Instituto de Credito Of.♦	25bn	1995	5	7	101⅜	IBJ Int.	6.668

★★Private placement. ‡Floating rate notes. ♦Variable rate depositary receipts. §Convertible. #With equity warrants. ♦Final terms. a) Coupon pays 6-month Libor flat. b) Fixed re-offer price. c) Coupon until Feb.1991 11⅛%, thereafter 6-month Libid flat. Call from August 1991. d) Conversion price: 270p. Provision for adjustment of conversion price. e) Initial coupon pays 25bp over 3-month Libor. Alternative margins 50bp and 62½bp over 3-month Libor in years one to five and years six to 10 respectively. f) Coupon pays first three months 35bp under one-month Libor, thereafter 35bp under 3-month Libor. Put on any interest payment date. g) Exercise price 008p. h) First coupon pays 60bp over 2-month Libor, thereafter 60bp over three-month Libor. Redemption linked to Nikkei stock index. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Storms gather as pound runs ahead

IT FINALLY happened last week: the symbiosis between sterling and gilts disappeared.

It has been a long and productive partnership: sterling has added 7 per ceCo its value since May, while gilts, according to J.P. Morgan's government bond index monitor, matched this with a similar, equally outstanding 7.23 per cent performance in the second quarter.

But as sterling continued its climb towards the pinnacle of membership of the exchange rate mechanism last week, gilts fell behind. While sterling ended the week closing the mystical gap between the pound and three D-Marks, at DM2.9538, gilts lagged. Two weeks ago, long gilts yields were considerably lower, and prices higher, than current market levels.

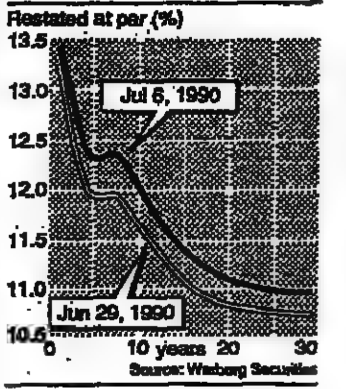
This divergence represents more than exhaustion after too many weeks of ERM euphoria. First, it was probably the result of profit-taking, a lot of it by North American investors to whom sterling looked overstretched at DM2.95.

This was bad news for gilts, although traders did manage to see the positive side of the sell-off. The pound's appreciation is seen to be giving the authorities' anti-inflationary strategy a welcome second plank, by letting the strong exchange rate keep monetary policy tight.

Second, it is evidence of sorts that the speculative bubble surrounding ERM entry has burst, at least for gilts. Despite the pound's continuing strength, the latest economic news has been poor, and the Government's response to it a further dampener.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Mr John Major, the UK Chancellor, demoralised the markets with his remarks that credit was growing too fast to allow interest rate cuts. This followed figures showing that the UK consumer was still borrowing and spending heavily despite the pressure of 15 per cent interest rates for the past nine months.

The Chancellor's comments – which were also prompted by an unexpected upward revision of retail sales volumes in June – were enough to knock 40 ticks off long gilt prices.

The Chancellor's cautionary tone also led some analysts to think that the Government would opt for a high ERM entry rate against the D-Mark. Evidence of credit demand still kicking in the economy tilted the odds in favour of narrow EMS bands for currency strategists at Citibank.

The partnership between sterling and sterling fixed-interest assets has thus reached a peculiar stage. If the pound falls, it will entice the investors back into gilts; if it rises, foreign investors will continue to buy high-yielding sterling and carry on selling gilt stocks.

The gilts market has not only had to contend with the sell-off following sterling's rise. The latest information on the likely state of the Government's finances has been, and will increasingly be, a dominant pressure long after sterling has joined the ERM.

The news that there is likely to be £2.5bn doled out in the form of government grants to local authorities in 1991-1992, as well as improved rebates under the existing transitional relief, could never have come at a good time.

Crédit Lyonnais Securities points out that, assuming an 8 per cent inflationary increase in local government spending next year, the grant will have to rise by as much as £3.5bn if poll tax increases are to be avoided.

It served to focus the mind on the inevitability of fresh gilt issues at some point in the future.

This year is not the primary cause of deep concern. Some economists do not envisage the Treasury missing by its customary wide margin its target for the debt repayment in 1990-91. The budget forecast of £7bn for the PSDR is not reckoned unacceptably high.

But feeling is running strongly in the direction of heavy unavoidable pre-election spending in 1991-92. This year's Autumn Statement could then be accompanied by an announcement of new gilt sales.

Wage settlements are running higher than the Government anticipated last March. This is tipping up inflation, which is sure to run above the 6.5 per cent scheduled by the Treasury for next year, with expensive results. Many benefits are indexed, for example, so 1 per cent on inflation increases spending by £500m. As the economy slows, unemployment has been rising and tax revenues could diminish.

Against this backdrop, there are thought to be bids worth £15bn tabled with the Treasury.

Gross gilt sales are thus reckoned to be inevitable. With almost £7.5bn worth of redemptions, which count as negative gilt sales, more than £5bn worth of stock will probably have to be issued in 1991-92 to meet the full funding rule.

Both these combine to make a great recipe for sinking gilt prices in the coming months: the gilt market's ERM rally is over, and gilt sales are to come. Kleinwort Benson's economics team bleakly warns that it sees no scope for lower yields in the gilts market "based on sterling's entry, actual or rumoured, into the ERM."

Then, substantial gilt sales and the UK Budget's small surplus transforming itself into a sizeable deficit will further depress the market.

Rachel Johnson

US MONEY AND CREDIT

Fed's inaction may cause rumblings

A LOUD hiccough, followed by digestive rumblings. It looks as if that will be the behaviour of the US bond markets over the coming week.

The hiccough occurred last Friday, when the markets' last lingering hopes of a rapid move by the Federal Reserve to ease monetary policy were dashed by the release of June employment figures.

That, in turn, focused attention on the very heavy programme of government debt offerings that will hit the market this week, and the Treasury's quarterly refunding in August.

A record $18bn of three and six month Treasury bills will be offered for auction today, followed by $8bn of seven-year notes on Wednesday. On Tuesday, the Resolution Funding Corp, which raises money to bail out the savings and loan industry, will auction $5bn of bonds, although these will have a maturity of 30 years rather than the unusual 40-year term which went down so disastrously with the market at its last two funding efforts.

In the absence of a Fed move, and amid questions about the market's immediate liquidity, the digestion of all this paper could give an upward bias to interest rates over the coming week.

Certainly, Friday saw a sharp rise in rates as the price of Treasury securities fell on news of the June employment data.

The yield on the benchmark 30-year issue rose by 10 basis points, both on the day and a week earlier, to end the holiday-shortened trading week at 8.5 per cent, with similar increases across most of the yield curve.

The employment data came just three days after the latest meeting of the Fed's Open Market Committee, which has held the key Federal funds rate at around 8.25 per cent since last December with the aim of squeezing inflation out of the system.

Amid fears that the economy might be slipping towards recession, the Fed has been under strong political pressure to ease monetary policy, and last week's meeting had been seen as an opportunity for a policy shift.

The meeting may have produced one: some press reports suggested that, although the Open Market Committee made no immediate move to change rates, it approved a policy which would allow it to ease over the next two months if economic conditions warranted this.

Certainly, there was no sign of an immediate change in stance in the Fed's market operations during the week, when it merely acted to counter seasonal pressures on the Fed funds rate.

Friday's employment news seemed to kill off any lingering hopes of a quick change, even though it presented a rather confusing picture. It showed non-farm payrolls rising in June by only 40,000, less than half the number the market had been expecting. But against that sign of weakness, the unemployment rate fell from 5.3 per cent in May to 5.2 per cent.

Moreover, the Government revised upward the May figure for non-farm payrolls to show a 356,000 increase rather than the 164,000 estimated before. The alteration of the May figures was due in part to a revised number of temporary workers on the US census, but private sector data, both in manufacturing and services, was also somewhat stronger than previously reported.

The overall impression left in the market was of an economy still expanding, albeit sluggishly, with some serious underlying threats to continued growth. Economists at Salomon Brothers argued that the figures suggested that "the soft landing continued during the quarter, with output growth hovering at close to 1.5 per cent."

These impressions were reinforced by other economic data released during the week. The June survey of the National Association of Purchasing Management rose to 51.1 per cent from 50.7 per cent. Any reading above 50 per cent signals expanding factory production, and this was the third consecutive month above that point. Car sales in June were also relatively buoyant.

All of this would have signalled caution to the collective mind of the Open Market Committee, which remains extremely concerned about inflationary pressures.

This has been underlined by the release of the minutes of its previous meeting, on May 15, when it voted to keep monetary policy unchanged.

Members agreed that "current information on business conditions pointed on balance to relatively moderate but sustained economic expansion," while the "prospects for significant reductions in inflation pressures during the quarters immediately ahead were not promising."

However, since mid-May there have been two significant changes to the economic picture, increasing pressure on the Fed to consider easing. The first is signs of a deterioration in consumer confidence and spending. The second is a breakthrough in the negotiations between the White House and Congress over a reduction in the budget deficit, with President Bush finally appearing to reverse his stand on increased taxation.

The deterioration in consumer confidence, coupled with the severe recession in many regional property and construction markets, leads the more pessimistic economists to argue that the country is hovering dangerously near a recession.

The current upturn in the manufacturing sector is said to be based on false industrial optimism and merely to represent a last gasp of growth.

Furthermore, runs this argument, any budget package is likely to reinforce the weakness, with government cutbacks hitting industries such as defence, and higher taxation reducing consumer spending power.

In short, the Fed is playing with fire.

This is certainly the view from the White House. Mr Nicholas Brady, the Treasury Secretary, stepped up the pressure for an early easing of policy last week when he noted that Mr Alan Greenspan, the Fed chairman, had indicated that rates would come down if the Administration and Congress could agree on a budget deficit package.

"I've said to him, 'I don't think we should wait around,'" said Mr Brady. "The two things go hand in hand."

The Fed, however, seems unmoved and, unless some extremely surprising data emerges over the next couple of weeks, it may defer any decision on easing until early August, when the next employment figures come out.

Martin Dickson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed funds (weekly average)	8.31	7.50	8.25	9.92	8.00
Three-month Treasury bills	7.75	7.98	7.95	9.11	7.20
Six-month Treasury bills	7.67	8.00	8.03	9.37	7.18
Three-month prime CDs	8.25	8.24	8.24	10.35	8.10
30-day Commercial Paper	8.15	8.25	8.13	9.95	8.05
90-day Commercial Paper	8.07	8.17	8.08	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	[illegible]	8.54	8.44	[illegible]
20-year Treasury	[illegible]	[illegible]	[illegible]	8.51	8.53
30-year Treasury	[illegible]	[illegible]	8.50	8.39	8.44

Money supply: In the week ended June 25, M1 rose by $1.3bn to $808.8bn (M1 for previous week revised to $807.5bn

NRI TOKYO BOND INDEX

January 1983 = 100	5/7/90.	Average yield (%)†	Last week	12 wks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	[illegible]	7.17	145.94	142.37	147.18
Government Bonds	143.54	7.01	143.57	140.09	146.88
Municipal Bonds	147.89	7.17	[illegible]	143.63	148.53
Govt.-guaranteed Bonds	150.36	7.21	150.53	[illegible]	150.14
Bank Debentures	142.82	7.33	143.11	140.09	141.46
Corporate Bonds	148.64	7.36	148.80	145.58	150.79
Yen-denom. Foreign Bonds	154.61	7.60	154.40	151.84	156.78
Government 10-year†	6.73	–	6.72	6.89	5.67

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices in July 6

BfG reconsiders extent of job losses in new strategy

By Katharine Campbell in Frankfurt

PLANS to cut more than one third of the staff of BfG, West Germany's sixth largest commercial bank, are being reconsidered, it emerged over the weekend.

Following a five-and-a-half hour meeting of the supervisory board on Saturday, the bank said only that a new strategy had been approved that would involve "personnel measures," but that these would be carried out according to the principles of "social acceptability."

Gewerkschaft Handel, Banken und Versicherungen, the bank trades union, had said on Friday that a strategic review planned by BfG contained proposals to cut 2,700 jobs, out of a total of 7,340, and close 60 of the bank's 240 branches.

However, BfG said after the meeting that the extent of job cuts and branch closures would be worked out in the course of implementing the new strategy. The bank, which was 100 per cent-owned by the unions until 1987, has a significant union presence on the supervisory board, since BGAG, the union holding company, still owns 49.5 per cent of the shares.

It is expected that job cuts will be fiercely opposed, although changes were presaged after the appointment of Mr Paul Wieandt as chief executive in March to redirect the bank following years of deteriorating earnings.

● Sumitomo Bank and Bank of Tokyo are to open representative offices in East Berlin. They are the first Japanese banks to do so, writes David Lascelles.

Kaske forecasts nuclear growth

By Michael Skapinker

THE NEXT decade will be a new age of nuclear power as the world comes to accept that the environmental cost of burning fossile fuels is too high, Mr Karlheinz Kaske, chief executive of Siemens of West Germany, said in London over the weekend.

Mr Kaske said that the world's population would grow from 5bn today to 10bn by 2010. "It's absolutely unthinkable that the energy demand of this world population could be met by burning coal and fossil energy, because of the increasing recognition of the problem of carbon dioxide," he said.

He said that, although Siemens had been successful in winning orders in the gas turbine market, it had no intention of running down its nuclear power capability. "In five to 10 years there will be a new nuclear age," he said.

Mr Kaske said that East Germany would soon be regarded as part of Siemens' domestic market. He said that Siemens was currently considering or implementing 30 business projects in East Germany, either on its own or with East German partners. He said he expected annual sales in East Germany to rise to DM5bn ($3bn) in the next few years. Achieving this level of sales would require DM1bn of investment, he said.

He said that in the Soviet Union, Siemens had, in the last two weeks, signed joint venture agreements in the automation and public communications systems sectors. The West German group has formed a joint telecommunications company in Poland and it also hopes to conclude contracts to provide equipment to Polish machine tool manufacturers and the coal industry.

The group as a whole had sales of DM40.2bn for the eight months to May 31, up 4 per cent on the previous year. Mr Kaske said that sales for 1989-90 as a whole would be about DM64bn, compared to DM61.1bn the previous year. About DM1bn of the sales increase would come from newly-acquired companies.

UK accountants face injunction

THE Securities and Exchange Commission (SEC), the US securities watchdog, is seeking an injunction against Price Waterhouse, the UK accountancy firm, to bar it from violating US securities law, writes Alan Friedman in New York.

The unusual case, which went to trial on Thursday, stems from a 1982 SEC investigation of a 1980 audit done by Price Waterhouse of the accounts of AM International, a US business graphics company.

The SEC alleges that Price Waterhouse and three of its partners broke securities laws.

US software set to grow

By Alan Cane

US-BASED information technology companies, which dominate the west European market for "packaged" computer software, stand to gain most from the 1992 single market unless action is taken, according to new research.

The leader in the European market is International Business Machines of the US with software sales of 2,659 European currency units (Ecus). Next is Siemens and Nixdorf of West Germany with combined sales of Ecu970, and ICL of the UK with Ecu400.

The research was carried out by Ovum, a London-based consultancy.

A surprising feature was the strength of West German companies in European software. As well as Siemens and Nixdorf, Software AG, SAP and Softlab are all in the top 40 suppliers. There are six French companies in the top 40.

Packaged software includes systems software, concerned with the control and management of the computer system itself, or applications software such as payroll or accounting.

Alternative company sought in Enasa deal

By Peter Bruce in Madrid

A THIRD party may be about to step into the ring for Enasa, the Spanish truck maker currently the subject of a Pta28bn ($277m) bid from Daimler-Benz and MAN of West Germany for 80 per cent of its shares.

This potential development, widely expected in Spain, follows objections to the Daimler and MAN deal from the West German Cartel Office and the European Commission.

Mr Claudio Aranzadi, the Spanish Industry Minister (pictured here), held talks in West Germany last week with Mr Helmut Haussmann, the West German Economics Minister, and the chairmen of Daimler and MAN to find a way round the objections raised by the Cartel Office.

According to Spain's Industry Ministry, MAN, which would take 80 per cent of Enasa under a deal signed in December, remains reluctant to proceed if, as the Cartel Office and the Commission have suggested, Enasa should be split into two.

Under this scheme, Enasa's light and heavy truck division would be run separately by Daimler and MAN respectively. MAN is said, however, to have promised to help study other purchase formulae.

Daimler said on Friday that it had also promised to look for further ways to hold the deal together. The Madrid Industry Ministry claims that Daimler has agreed to seek another non-German European partner if MAN pulls out.

Italy's steel groups link in shake-up

By John Wyles in Rome

THE MOST important collaboration and restructuring exercise for more than a decade between Italian public and private steel companies is to be completed by next January when Ilva, the state steel company, and Falck, the leader in private sector Italian steel, are due to have eliminated overlapping activities.

Mr Alberto Falck, president of the family-controlled, stock-market-listed group, said that the agreement – signed last Friday – would streamline his company's production, enable it to concentrate on higher value-added products, notably special steels, and put it closer to leadership of various European markets.

In addition, he said, the accord would help Falck reach the profitability target which it had set itself for 1991 of a 15 per cent return on capital. Net group profits last year of L56.4bn on sales of L1,631bn ($1.35bn) represented a return of only 7 per cent.

For Ilva, the agreement represents an important coup for its strategy of redrawing the boundaries between public and private steel in Italy. Since it began operating in 1989 as a slimmed down recapitalised and profitable version of the hugely loss-making Finsider, Ilva has struck several liaisons with private operators which have also included taking minority equity stakes in their operations.

Falck has been assiduously courted by France's Usinor-Sacilor in the last few months, but it opted for Ilva "because it was more interesting from a financial and market point of view," said Mr Falck. Neither the private company nor Ilva is ruling out possible subsequent collaboration with the French group, or other foreign producers.

As a payment for the transfer of assets, Ilva will be handing over L320bn-L330bn to Falck and then spending an additional L50bn on the purchase of a 5 per cent stake in the company – to be achieved through a capital increase. Mr Mario Lupo, Ilva's president, said that the agreement would remove some of the fragmentation and overlapping activities which weaken Italy's position as the world's fifth largest steel producer and second largest in Europe.

The agreement rationalises and focuses the two companies' activities in special strips, sheet steels, special lengths and unwelded pipes. Falck will be abandoning unwelded pipes and some coated steel activities, passing its assets in these sectors to Ilva.

But it will acquire Ilva's special strips business and will strengthen its specialisation in special and commercial sheet steels. Ilva will take a 30 per cent stake in Falck's reorganised sheet steel business, while Falck will acquire 23 per cent of Ilva's stainless lengths business at Cogne. Ilva will also acquire 46 per cent of Falck's Accaieria di Bolzano which manufactures non-stainless steel lengths.

The two companies plan to rationalise their commercial activities in various sectors and Ilva will take responsibility for marketing 500,000 tonnes of Falck's rolled sheet product.

Mr Falck said that Ilva's agreement to supply his company with 500,000 tonnes of year of low-cost semi-finished product would greatly help reduce Falck's production costs.

It is estimated that the accord is worth L90bn a year of savings for Falck and L80bn for Ilva. Some 1,500 of Falck's 7,600 workers will be transferred to Ilva.

Pargesa to use BIL in London

By David Lascelles, Banking Editor

THE Banque Internationale à Luxembourg (BIL) will become the main banking outlet in London for the Pargesa Group after it sells its 63 per cent stake in the Henry Ansbacher merchant banking group.

The Brussels and Geneva-based Pargesa, which includes the Groupe Bruxelles Lambert interests, announced the sale last month after conducting a review of its banking activities.

Pargesa/GBL owns just less than 50 per cent of BIL. BIL in turn owns 14 per cent of Ansbacher, which forms part of the block being sold.

Mr Edward Charlton, chief executive of BIL's London operations, said BIL now had a substantial banking activity of its own in London, and there was therefore less need for the link with Ansbacher.

BIL's London balance sheet had grown 300 per cent in the last two years and was now bigger than Ansbacher's, he said, though he declined to give details. Last year Ansbacher's balance sheet totalled £745m ($1.27bn).

BIL is principally engaged in commercial lending in London, but it also has securities, foreign exchange, treasury and fund management businesses. Mr Charlton said the sale of the Ansbacher stake "is a sign of our commitment to London rather than the other way round."

N.M. Rothschild, the merchant bank handling the sale, said that there had been "good interest" from potential purchasers around the world. An information memorandum is being sent out and an auction will take place later.

Citicorp restructure expected

By Alan Friedman in New York

CITICORP, the largest US commercial banking group, is expected shortly to unveil a management reorganisation.

The plan, necessitated by the deterioration of assets and the slowing in corporate lending, is not likely to be as sweeping as the restructuring proposed last month by Chase Manhattan, which involved an 8 per cent cut in workforce. It will lead to a flattening of the management structure at Citibank, the group's main operating bank.

The impending shake-up follows poor trading for Citicorp, the nation's biggest commercial property lender. It is expected to record a $500m to $600m increase this year in non-performing real estate loans. Some $1.3bn of the bank's $12.6bn real estate portfolio is classified as non-performing.

Both Moody's and Standard & Poor's, the leading debt-rating agencies, have downgraded Citicorp's $31bn of senior debt in recent weeks.

Last week Mr George Davis, the senior bank executive in charge of corporate finance in North America, resigned.

It is thought that Mr Davis's departure is linked to the poor performance of sectors he managed such as real estate, leveraged takeover finance and corporate lending. Citicorp made a $34m loss from these activities in North America, Japan and Europe in the first quarter of 1990.

New York SE fines Shearson $500,000

By Martin Dickson in New York

THE NEW York Stock Exchange has censured Shearson Lehman Hutton, the securities group, and fined it $500,000 for alleged improper action during its abortive merger talks four years ago with the brokerage firm E.F. Hutton.

The exchange found that Shearson had failed to identify some Hutton shares it acquired as purchases for is own account and had sold them in a manner "inconsistent with just and equitable principles of trade" after the takeover talks had been broken off but before any public announcement.

Shearson, which settled with the exchange without denying or admitting the charges, said that it had done so to avoid protracted litigation.

The securities group insisted that its sale of the securities had not violated the law or the existing interpretation of exchange rules.

Shearson finally took over Hutton in 1988.

Defeated Globe continues battle

By Clare Pearson

BRITISH COAL Pension Funds yesterday declared its £1.1bn offer for Globe, Britain's biggest investment trust, wholly unconditional having gained control of about 63 per cent of the ordinary share capital.

But directors of Globe were refusing to bow out silently.

Mr David Gregory, a Globe director, said he intended to quiz the Takeover Panel this morning over the terms under which BCPF on Friday obtained a block of shares from Postel, which manages the Post Office and British Telecom pension funds.

BCPF's offer was of 205p cash for the shares, which go ex-dividend this morning.

Postel, plus some other institutions, appear to have sold out on Friday at the ex-dividend price of 201p. As a result, they will receive the 4p net final dividend to make up the bid price. However, because of its tax status, Postel will also be able to reclaim tax paid on the dividend to receive an effective 206.3p.

"The Panel has said there are precedents for this arrangement, but we shall be seeking assurances that they apply," said Mr Gregory. "If necessary, we shall take the matter to a full meeting of the panel."

However, Mr Malcolm le May, a director of Barclays de Zoete Wedd, BCPF's adviser, said: "There is nothing unusual about what we have done. The other side and their shareholders were perfectly aware that we were able to deal ex-dividend," he said. "We shall be buying in the market tomorrow and I call upon the board to recommend our offer."

David Hardy, chairman of Globe: refusing to go quietly

BCPF said it controlled a total of 63.10 per cent of Globe's ordinary shares, taking into account the 5.22 per cent on which valid cover was still awaited. It also spoke for 11.64 per cent of Globe's convertible loan stock.

Its order to BZW Securities to buy shares at 205p for cash settlement would remain open until the end of this week.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

Additions: EFM Java Trust (Section: Investment Trusts)

Do. Warrants (Investment Trusts)

Kirin Brewery (Beers)

Proteus Int. (Industrials)

Sanderson Murray & Elder (Motors/Garages & Distributors)

Star Computer Group (Electricals)

Wiggins Teape Appleton (Paper, Printing)

Deletions: Hoechst 10pc Ln. (Chemicals)

Int. Income Property Inv. (Property)

P & O 6.3pc Cv. Pf. (Transport)

FT-A Fixed Interest Index

A minor technical problem in calculation has on a few recent occasions led to exaggerated changes in the Over 15 Years category of the FT-Actuaries British Government Securities Index. The FT-Actuaries Index Committee is addressing the problem and hopes to provide revised figures for the Over 15 Years sub-index as soon as possible.

Hillsdown begins shake-up in Canada

By Bernard Simon in Toronto

HILLSDOWN Holdings has begun a shake-up of its Canadian interests only days after gaining control of Canada Packers, the country's biggest food processor.

Hillsdown has appointed one of its directors, Mr David Newton, as chief executive of the combined operation and made severance arrangements with several senior Canada Packers executives. Mr Newton is currently chairman of Maple Leaf Mills, which Hillsdown bought in 1987.

Mr Lewis Rose, Maple Leaf's chief financial officer, will take over as CFO of a similar role in the combined company, a name for which has yet to be announced. The moves were widely expected.

CP's president, Mr Roger Poretti, will become a director of the combined company without executive responsibilities. Mr Poretti, who has been chief executive for CP for just over a year, started a process of rationalising which is now expected to gather pace.

The head of CP's fresh meats side is to be replaced by a Maple Leaf executive, but the executives of CP's processed foods and industrial products divisions are to remain in their jobs.

CP and Maple Leaf together had sales of C$3.8bn last year with net income of C$35.2m. About 72 per cent of CP's shareholders voted last month to accept Hillsdown's offer, which involved a controversial share-exchange scheme for a 56 per cent interest in CP.

Canada's anti-trust watchdog, the Bureau of Competition Policy, said that Hillsdown had agreed to continue operating Maple Leaf and CP's Ontario meat-rendering businesses as separate entities, pending an investigation into the impact of a merger on competition in the industry. The bureau said that should it find that there would be a "substantial lessening of competition", the hold-separate undertaking would make it easier to restore the businesses to their pre-merger status.

Overhanging shadows of failed predators

Philip Coggan on bid defensive victories which prolong the state of seige

RUNNING A company when a hostile shareholder is on the register can be difficult. Running a company when the hostile shareholder has a stake of over 40 per cent is close to impossible.

Quoted companies can find that defensive victories in takeover battles can be distinctly pyrrhic. The continuing presence of a predator with a major stake in the company only prolongs the state of siege and under Takeover Panel rules, it may be only a year before the bid process starts over again.

Small wonder that some companies find it best to give in. Earlier this year, Hartwell's directors recommended an offer from the Saudi-based Jameel group just eleven weeks after apparently defeating a hostile bid at the same price.

The Jameel group ended the bid with a 43.3 per cent stake in Hartwell's ordinary shares and a majority of the convertible preference shares.

The conversion rights, allied with its ability under the Takeover Code to buy 2 per cent of the ordinary shares a year, gave the Saudi Arabian company the opportunity to gain control of Hartwell by 1992.

Hartwell depended for the bulk of its profits on the dealing franchises handed out by motor manufacturers, but the latter recoiled at the possibility of two years of uncertainty over the management of the company. They demanded that a solution be found; and Hartwell was forced to agree to the offer.

Birmid Qualcast managed to secure a rather better deal for its shareholders, but the end result was the same – a loss of independence. The lawnmower to boilers group escaped by the skin of its teeth a bid from cement group Blue Circle in February 1988 when it was discovered that the predator's broker had double-counted some shares in claiming victory.

But Blue Circle still ended up with a 44 per cent stake in the company and Birmid recommended an 18 per cent higher offer just two months before the cement group was free, under the Takeover Code, to bid again.

"It was a situation that most companies would be glad to do without," said Mr Tommy McPherson, Birmid's then chairman, "We were precluded from taking certain actions without their consent."

Accepting a bid from a predator which the defending board had battled hard to defeat involves swallowing a good deal of pride. During the course of the bid, Mr Peter Prately, managing director of Birmid Qualcast, described Blue Circle's strategy for combining the companies as "so shallow it isn't true". Less than a year later, he took charge of a division containing Birmid and Blue Circle's combined consumer products businesses. He has since left the group.

Now Molins, the cigarette machinery manufacturer, is faced with a dilemma of handling Leucadia, a US manufacturing and financial services group, which narrowly failed to take control with a £83m bid which closed in May. The US predator has a 45 per cent stake.

That was the third bid that Molins had defeated in three years, having already seen off two offers from the New Zealand businessman Sir Ron Brierley. Mr Neil Clarke, Molins' chairman, says that, apart from the distraction for management, the sheer cost of fighting the bids has weakened the company.

"We have spent £3m of fees in three years on bids", he says. "I look at it as the price of four high quality flexible machining centres." And according to Mr Clarke, "the longer term effect of being under systemic siege from people who are manifestly hostile can only be adverse. It can't be right to be threatened with a series of proxy battles, and threatened with creeping control."

Like Hartwell, Molins is theoretically faced with the prospect of its tormentor buying a succession of 2 per cent stakes every year and gradually taking control. The creeping 2 per cent rule was used by Eastern Produce (Holdings) to take control of Associated Fisheries in the mid-1980s.

A management under such siege finds it impossible to dilute the predator's holdings, since increases in the company's share capital require a 75 per cent majority of holders. Even small deals requiring 50 per cent majorities involve an immense effort in lobbying shareholders if more than 40 per cent of the votes are already committed against the proposal.

According to Mr Clarke, the long term prospect of a change of ownership of the company can cause trading difficulties. "The competition is bound to say to our customers": "Is Molins going to be there in five years time?", he says. And he believes that it will be increasingly difficult to recruit skilled staff because of the uncertainty.

Mr Clarke is, nevertheless, optimistic about the chances of remaining independent. "Excluding Leucadia, 20 shareholders own more than 50 per cent of the company", points out Mr Clarke. And those shareholders have proved steadfastly loyal up to now.

Molins also has two attractions that mark it out from the normal run of UK engineering companies. The first is a pension fund surplus of £58m – 70 per cent of the group's market capitalisation, which Mr Clarke admits is "utterly disproportionate to the size of the company."

The second attraction is a claim to licence income on the so-called flexible manufacturing system which Molins first patented in 1965. The company has already received $12m to $13m of licence income but a lot more could follow if the company wins a long-running legal action.

Mr clarke is looking at ways that the value of these two unusual assets could be released for all Molins shareholders so that the company could get on with running its engineering business.

But he will have to hurry: it is only ten months until Leucadia will be allowed to bid again.

NEWS DIGEST

PE Kemp in loss at six months

PE KEMP, a provider of stage sets for theatres, operas, product launches and exhibitions and is listed on the Third Market, fell £175,742 into the red in the six months to April 30. There was a pre-tax profit of £34,339 in the corresponding period.

Losses per share amounted to 4.48p (0.57p earnings) and there is no interim dividend (0.5p).

The company plans to raise £632,000 by way of a rights issue of 11.31m new ordinary on the basis of five-for-two at 6p per share. A warrant will be issued to the underwriters, A Milton and B Masterson, to subscibe for up to 4m shares at 6p each.

Turnover in the six months was slightly lower at £1.55m (£1.58m) and gross profits fell to £432,874 (£535,845).

Electrocomponents A$15m acquisition

Electrocomponents, the electrical and electronic component distributor, has acquired Radiospares Components of Perth, for A$15.2m (£7m) including estimated net assets of $3.4m.

Radiospares has been Electrocomponents' subsidiary, RS Components, exclusive distributor throughout Australia since 1981.

Strong second half puts Comac in profit

Second half profits of £16,350 enabled USM-quoted Comac Group, a provider of specialist staff for the computer industry, to return to the black in the 12 months ended December 31 with pre-tax profits of £7,280 compared with a loss of £489,286.

Turnover increased to £10.57m (£7.81m). Earnings per share worked through at 0.05p (17.17p loss).

Interest boost for Trilion

Trilion, the USM-quoted provider of television facilities and producer of television programmes, lifted its interim pre-tax profits in the six months to March 31 from £144,000 to £161,000. The result included net interest received of £149,000, against a charge last time of £291,000.

There was an extraordinary credit of £495,000 this time relating mainly to a further release of the corporation tax provision for the capital gain arising on the disposal of former premises at Canary Wharf in London's Docklands in 1988.

Turnover for the period was up from £7.8m to £8.35m. On a net basis earnings per share emerged at 0.3p compared with 0.2p after a nil tax charge.

BOARD MEETINGS

TODAY

Interims- Company of Designers, LEICA, Low & Bonar.

Finals- Alan Paul, Creighton's Naturally, Ellis & Everard, Hay & Croft, London Securities, Menzies (John), Mosaic Investments, Turnbull Scott.

FUTURE DATES

Interims-

Britannic Assurance	Aug. 15
Christies Intl.	Sept 17
Kershaw (A)	July 12
Ladbroke	Aug. 23
P & P	July 19
Rank Organisation	July 12
South African Land & Expl.	July 19
TR Pacific Inv. Trust	Aug. 6
Updown Inv.	July 20
Finals-	
Bettys	July 17
Electron House	July 12
Eve	July [illegible]

BASE LENDING RATES

	%		%		%
AIB Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	15½
Allied Trust Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Allied Irish Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm.	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh.	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Meghraj Bank Ltd	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£50,000 + instant access 13.7% § Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

FINANCIAL TIMES STOCK INDICES

	July 6	July 5	July 4	July 3	July 2	June 29	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.63	79.03	79.34	79.39	79.80	79.97	84.20	74.13	127.4	49.18
Fixed Interest	87.80	88.02	88.06	88.05	88.19	88.22	92.91	83.80	105.4	50.53
Ordinary	1865.0	1858.2	1881.1	1894.7	1896.6	1899.9	1968.3	1653.6	2008.6	49.4
Gold Mines	180.9	181.4	183.4	181.3	182.6	176.8	378.5	167.9	734.7	43.5
FT-Act All Share	1154.10	1151.07	1162.19	1169.35	1170.25	1171.28	1226.83	1043.16	1238.57	61.92
FT-SE 100	2340.0	2331.4	2355.5	2371.7	2372.0	2374.6	2463.7	2103.4	2463.7	986.9

DIARY DATES

Trade fairs and exhibitions: UK

July 11-15
Wine Fair & Festival (0272 298630)
Bristol Exhibition Centre

July 13-14
Kensington Fashion Fair (081-7422828)
Kensington Town Hall

July 19-22
International Helicopter Exhibition (081-773 3751)
Middle Wallop

July 29-31
Sun & Swimwear Exhibition (071- 973 6401)
Marriott Hotel, London

August 2-5
N.E.C. August Fair for Connoisseurs and Collectors of Antiques (021-780 4171)
Birmingham

August 12-14
Medium to Top Range Women's Clothing Exhibition - PREMIER COLLECTIONS (081-742 2828)
NEC,Birmingham

August 16-19
Antiques Fair (071-873 6401)
Kensington Town Hall

August 18-19
Town & Country Show (0775 820243)
Harrogate Showground

Aug 30-Sep 1
Telecommunications Industry Association Trade Exhibition (071-262 2886)
Manchester G-Mex Centre

Overseas exhibitions

July 11-13
International Professional Recording, Public Address and Duplication Exhibition – PRO AUDIO ASIA (0494 729406)
Hong Kong

July 11-13
International Jewellery, Gemstones & Timepieces Exhibition – JEWELTIME (0494 729406)
Tokyo

July 26-29
International Woodworking Machinery Tools & Accessories Exhibition - FURNTECH/WOODTECH (081-940 3777)
Bangkok

August 12-15
International Office Technology Exhibition - OFFICE TECHNOLOGY COMMUNICATIONS (071-486 1951)
Melbourne

August 19-22
International Video & TV Equipment Fair - VIDEO EXPO (021-455 9600)
Sao Paulo

September 2-8
International Autumn Fair (0375 392222)
Leipzig

September 12-19
International Engineering Fair (071-639 7265)
Brno

Business and management conferences

July 9-10
The Economist: International Investor Relations (071-976 6565)
Sussex

July 9-11
The Financial Times City seminar (071-925 2323)
Plaisterers Hall, City of London

July 11-12
Financial Times Conferences: Telecommunications and the European business market (071-925 2323)
Hotel Inter-Continental, London

July 12-13
Legal Studies and Services: The fourth London conference on privatization – privatization and economic revival (071-222 4995)
Queen Elizabeth II Conference Centre, London

July 17
The Institute of Economic Affairs: Financing Britain's infrastructure – Overcoming the economic, financial and political problems (071-799 3745)
Queen Elizabeth II Conference Centre, London

July 24-26
Management Training Consultants (Leicester): Successful managers in action - practical steps for improving teamwork and productivity (0533 527062)
Leicester

July 25-26
FIBEX: Doing business in Eastern Europe - encompassing an overview of Eastern Europe and focussing on individual countries (071-489 9944)
Hilton Hotel, London

August 6-10
SIGGRAPH 90- International conference on computer graphics and interactive techniques (Chicago 312-644 6610)
Dallas Convention Centre

August 12-14
Frost & Sullivan: Business intelligence - How to gain hospitality and retain a competitive advantage (071-730 3438)
Brighton

September 24-25
Financial Times Conferences: World mobile communications (071-925 2323)
London

It is advisable to check details with the organisers to ensure that there have been no changes.

PARLIAMENTARY

Today

Commons: Plaid Cymru debate on environmental policy.

Timetable motion and consideration of Lords changes to the Social Security Bill.

Motion on the Education (Student Loans) Order.

Lords: Broadcasting Bill, committee.

Marriage (Registration of Buildings) Bill, second reading.

Tomorrow

Commons: Debate on sea defences and avoidance of sea flood damage in Wales, followed by debate on gipsy sites.

Lords: Employment Bill, committee.

Legal Advice and Assistance (Scope) Regulations, motion for approval.

Select committee: Treasury and Civil Service: subject, Progress on the "Next Steps" initiative. Witnesses: Mr Richard Luce, Minister of State, Privy Council Office, and Mr Norman Lamont, Chief Secretary to the Treasury. (Room 8, 3.40 p.m.)

Committee on a private bill: King's Cross Railways Bill. (Grand Committee room, Westminster Hall, 10.30 a.m.)

Wednesday

Commons: Motion on Charge Limitation (England) (Maximum Amount) Orders.

Lords: Social Security Bill, consideration of Commons changes.

Broadcasting Bill, committee.

Select committees: Energy: subject, safety in coal mines. Witnesses: British Coal and British Association of Colliery Management. (Room 8, 11 a.m.)

Employment: subject, recruitment practices. Witnesses: Institute of Personnel Management and Department of Employment officials. (Room 20, 4.15 p.m.)

Foreign Affairs: subject, progress in implementing Sino-British agreement on Hong Kong. Witnesses: Mr Francis Maude, Minister of State, Foreign Office and officials. (Room 8, 4.15 p.m.)

Public Accounts: subject, NIAO corporate plan and the NAO corporate plan. Witnesses: Dr W. Jack, Comptroller and Auditor General for Northern Ireland, and Mr John Bourn, Comptroller and Auditor General. (Room 16, 4.15 p.m.)

Committees on private bills: (Unopposed) Hasmonean High School Bill, Greater Manchester Light Rapid Transit System Bill and London Local Authorities (No. 2) Bill. (Room 9, 4 p.m.) (Opposed) Adelphi Estate Bill. (Room 6, 11 a.m.)

Thursday

Commons: Conclusion of debate on Charge Limitation (England) (Maximum Amount) orders.

Motion on the Army, Air Force and Naval Discipline Acts (Continuation) Order.

Opposed private business from 7 p.m.

Lords: Employment Bill, committee.

Motions for approval on the Code of Recommendations for Sheep Welfare and the Welfare of Livestock Regulations.

Court of Referees (Room 13, 11 a.m.)

Committee on a private bill: Hythe, Kent, Marina Bill. (Room 5, 10.30 a.m.)

Friday

Commons: Debate on policing in London.

Lords: Debate on the European Communities Committee report on European schools and language learning in UK schools.

Motion for approval on the Northern Ireland Act, Interim Period Extension (Order).

Motion on Slaughter of Animals and Poultry Orders.

Question to Government on action following report from the Chief Inspector of Prisons on HM Prison Birmingham.

FINANCIAL

TODAY

COMPANY MEETINGS-

Chesterfield Properties, 38 Curzon Street, W., 11.00
Hartstone, Hartwell House, Oxford Road, Aylesbury, Bucks., 3.30
Value & Income Trust, 49 Charlotte Square, Edinburgh, 12.15
Whitbread Investment, The Brewery, Chiswell Street, E.C., 11.30

BOARD MEETINGS-

Finals;
Alan Paul
Creightons Naturally
Ellis & Everard
Hay & Croft
London Securities
Menzies (John)
Mosaic Invs.
Turnbull Scott

Interims;
Company of Designers
LEICA
Low & Bonar

DIVIDEND & INTEREST PAYMENTS-

Addison Consultancy 0.1p
Fisher (Albert) 1.6p
Havelock Europa 2.6p
MMT Computing 1p
Marubeni America Corp. 8% Var. Red Nts. 1993 4pc.
Wickes 3p

TOMORROW

COMPANY MEETINGS-

Clayhithe, The Royal Overseas Club, Park Place, St. James' Street, S.W., 12.00
Elys, 135 Bishopsgate, E.C., 12.00
Powerscreen Intl., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 11.30

BOARD MEETINGS-

Finals;
Braithwaite
Christie Group
Empire Stores
Evans of Leeds
Fleming Overseas Inv. Tst.
Gibbon Lyons
Howden Group
Kingsgrange
Porter Chadburn
Scantronic
Sims Food

Interims;
Equity Consort Inv. Tst.
Gardiner Group
Slam Smaller Co's Fund

DIVIDEND & INTEREST PAYMENTS-

Britannia Bldg. Society Fltg. Rate Nts. 1993 £383.32
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1992 £190.86
Morris (Philip) 34.375cts
Young & Co's Brewery 8p
Do. Non."V" 8p

WEDNESDAY JULY 11

COMPANY MEETINGS-

Fashion & General Inv., Epworth House, 25 City Road, E.C., 12.00
Mayflower Corp., 30 Queen Anne's Gate, S.W., 12.30
Sainsbury (J), The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 12.00
Saunders & Sidney, Kreston House, 8 Gate Street, W., 10.30
Warnford Invs., 20 Aldermanbury, E.C., 12.00

BOARD MEETINGS-

Finals;
Barbour Index
Birmingham Mint
Birse
Control Securities
Dixons
Morris Ashby
Thorpac
Wyko

Interims;
Cardiff Property
Domino Printing Sciences
Granada
M. & G. Dual Trust
Union Discount

DIVIDEND & INTEREST PAYMENTS-

CNA Gallo 44cts
Cakebread, Robey 1.9p
Do. "A" Non. V 1.9p
Commonwealth Bank of Australia UndFRN $425.46
Craig & Rose 11.75p
Hewlett-Packard 10.5cts
Hongkong & Shanghai Banking Corp. PrimCapUnd FRN 3rd Sers. $109.01
National Westminster Bank Primary Cap. FRN's Sers. "A" $427.26
Tiger Oats 22cts

THURSDAY JULY 12

COMPANY MEETINGS-

Elswick, Painters' Hall, 9 Little Trinity Lane, E.C., 10.30
Marks & Spencer, Grosvenor House Hotel, Park Lane, W., 11.00
Parkland Textile, Post House Hotel, Bramhope, Leeds, 11.30
Scantronic, Chiswell Street, E.C., 11.30

BOARD MEETINGS-

Finals;
British Building & Eng. Appliances
Electron House
Fluidrich
Geevor
Graig Shipping
Jones, Stroud
Joseph (Leopold)
Logitek
Mobo
Peel
Priest (Benjamin)
Ransom (William)
Welpac

Interims;
Goring Kerr
Jersey Electricity
Kershaw (A.)
Rank Organisation
TACE
Toner Hire

DIVIDEND & INTEREST PAYMENTS-

Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1999 £381.76
Do. New Fltg. Rate Nts. 1999 £122.77
Burmah Oil 13.5p
Conversion 9½% Ln. 2001 4.75pc.
Do. 9% Ln. 2011 4.5pc.
Imperial Cold Storage & Supply 3.08837p
London & Scottish Marine Oil 9½% Bds. 1996 4.75pc.
Do. 10% Nts. 1994 5pc.
Parkland Textile 4.5p
Do. "A" NV 4.5p
Plasticseal 3p
Ralston Inv. Tst. 1.275p

FRIDAY JULY 13

BOARD MEETINGS-

Interims;
Aaronson Bros.
Norfolk House

DIVIDEND & INTEREST PAYMENTS-

Barlow Rand 51cts
Blue Circle Inds. 7.5p
Body Shop Intl. 0.6p
British-Borneo Petrol Syndicate 14p
Ferry Pickering 2.1p
Lep 4.25p
Lucas Inds. 10¾% Uns. Ln. Stk. 1992/97 5.375pc.
Morgan (J.P.) 45cts
Motorola 16cts
National Australia Bank 25cts
Northern Ind. Improvement Tst. 7p
Radio City A Ord NV. 3.5p
Ranks Hovis McDougall 3.82p
Royal Tst. Gvt. Securities 1.825p
Sainsbury (J.) 4.35p
Sea Containers 52.5cts
Tarmac 8.25p
Trafalgar House 8.8p
Warner Estate 3p
Warringtons 1p

SATURDAY JULY 14

DIVIDEND & INTEREST PAYMENTS-

Funding 3½% Stk. 1999/2004 1.75pc.
Treasury 13% Stk. 2000 6.5pc.

SUNDAY JULY 15

COMPANY MEETINGS-

Friendly Hotels, 61-65 Queen Street, W., 11.00

DIVIDEND & INTEREST PAYMENTS-

Agricultural Mortgage Corp. 6¼% Deb. Stk. 1992/94 3.125pc.
AmBrit Intl. 9% Cnv. Uns. Ln.Stk. 1995 4.5pc.
American Medical Intl. 9¾% Uns. Ln. Stk. 2011 4.9375pc.
BCE Inc. 68cts
Barclays Bank 12% Unc. Cap. Ln. Stk. 2010 6pc.
Churchbury Estates 4.2% Prf. 2.1pc.
Evode 7p Cnv. Prf. 3.5p
Govett Strategic Inv. Tst. 10¾% Deb. Stk. 2016 5.1875pc.
LASMO 9¾% Prf. 4.875p
Life Sciences Intl. 6% Cnv. Prf. 4p
M. & G. Dividend Fund 12.5p
Murray Intl. Tst. 3.9% Prf. 1.35p
North Surrey Water 4¼% Deb. Stk. 2.125pc.
Do. 5¼% Deb. Stk. 2.625pc.
Do. 7¼% Deb. Stk. 1991/93 3.625pc.
Do. 4% Deb. Stk. 2pc.
Occidental Petroleum Corp. 62.5cts
Pacific Gas & Electric 39cts
Quebec Central Railway 2.5p
Sweden (Kingdom of) 11% Ln. Stk. 2012 5.5pc.
Treasury 9½% Ln. 1999 4.75pc.
Witan Inv. 2.4% Prf. 1.7p
Yelverton Invs. 8% Cnv. Uns. Ln. Stk. 1997 4pc.

APPOINTMENTS

Moves at Christie's

Mr Dermot Chichester has been appointed managing director of Christie's King Street, and of CHRISTIE'S UK. He succeeds **Mr Christopher Davidge**, group managing director, Christie's International. **Mr Paul Barthaud**, a director and head of porcelain, replaces Mr Chichester as managing director of Christie's South Kensington.

■ BUNZL has appointed **Mr Donald Latimer** as group finance director. He was group services director, and succeeds **Mr Ken Anderson**.

■ **Mr Robert Poldermans** has been appointed head of group strategic development at STANDARD CHARTERED. He was director, financial institutions, Arthur D. Little.

■ Following the acquisition by the Jameel Group of a majority holding in HARTWELL, **Mr John Wei** becomes chief executive, and **Mr Rupert Carington** and **Mr Samir Hamadeh**, all of Jameel, join the Hartwell board. The former chairman, **Mr Peter Huggins**, and the existing directors remain on the board.

■ IPECO HOLDINGS has appointed **Mr James G.W. Stacey** to the main board.

■ **Mr Derek Whitehead** has been appointed chief executive of the estate agency division of REFUGE GROUP. He was a director of Provident Financial Group, and chairman of a number of its subsidiaries.

■ ROTHMANS INTERNATIONAL has appointed **Mr William Patrick Ryan** as chief executive tobacco (elect). He will take over the post on January 1 succeeding **Mr V.A. Brink** who retires on December 31.

■ EVERED has appointed **Mr Peter Wright** as group tax manager. He joins from Foseco where he held a similar post.

■ ANGLO BUILDING COMPANY SUPPLIERS, Long Stratton, Norfolk, has appointed **Mrs Janet Manly** as sales director. She joins from Pyramid Group.

■ CREDIT LYONNAIS SECURITIES, London, has appointed **Mr Richard Berman** as director in charge of international mergers and acquisitions.

■ SINGER & FRIEDLANDER has appointed **Mr Edmund Bruegger** as an executive director responsible for the Bristol office. He joins from Hill Samuel Securities where he was director, corporate finance products.

■ CREDIT AND GUARANTEE INSURANCE CO, Tonbridge, has appointed **Mr O.H. Lund Petersen** as chairman succeeding **Dr H.Ph.H. Sluijter** who has retired. **Mr H.T. Brown** becomes general manager, surety and credit insurance division.

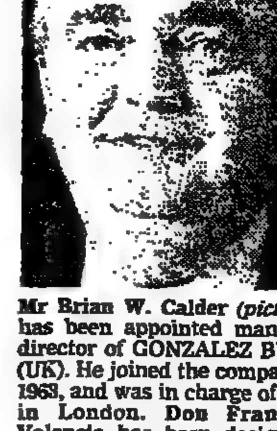
■ SEAFIELD RESOURCES has appointed **Mrs Hilary E. Worboys** as legal and commercial director, and **Mr Roger C. Witts** as finance director. Mrs Worboys joined the company in February. She was with Renown. Mr Witts was with Petrofina and Thomson North Sea.

■ KWIK SAVE GROUP has appointed **Mr Simon Moffat** as group finance director. He was finance director of Burger King/Wimpy.

■ **Mr Geoffrey Corr** and **Mr Albert Osbaldstone** have been promoted to directors at HIGH-POINT SCHAER (EUROPE).

■ **Mr Allan Robertson** has been appointed operations director of NCR. He will be responsible for systems services, field engineering, education, systemedia and micrographics divisions, and the quality management function. Mr Robertson was deputy general manager, finance and administration and operations, NCR Switzerland.

■ **Mr Brian Barr**, **Mr Philip Holbeche** and **Mr Douglas Keller-Hobson** have been appointed directors of ROYAL TRUST BANK. **Mr Tony Davies** and **Mr Malcolm Ferguson** have been promoted to divisional directors.



Mr Brian W. Calder *(pictured)* has been appointed managing director of GONZALEZ BYASS (UK). He joined the company in 1963, and was in charge of sales in London. **Don Francisco Valencia** has been designated deputy chairman. **Mr David Miller**, director of marketing, is to be company secretary.

■ **Mr Simon Miller** has been appointed non-executive chairman of SAFETYNET. He is chief executive of Ferrum Holdings.

■ **Mr Andrew Marchington** has been appointed managing director of HFC BANK's insurance subsidiaries Hamilton Life Assurance Co, and Hamilton Insurance Co. He was the bank's director of marketing, and is succeeded bymarketing manager **Mr Mark Robinson**.

■ **Mr Roger Haggett**, managing director, British Aerospace (Commercial Aircraft), corporate aircraft division, has been elected chairman of the BUSINESS AIRCRAFT USERS ASSOCIATION.

■ **Mr John Becher** and **Mr Colin H. Reed** have been appointed directors of WISE SPEKE FINANCIAL SERVICES, Newcastle.

■ THE ORRIDGE GROUP has appointed **Mr Harry Bird** to the main board, and as managing director, Leeds office.

CONTRACTS

Stoke to have civic centre

CONDER PROJECTS, the design and build division of Conder Group, has started work on a £13m civic centre for Stoke-on-Trent City Council, the 52nd civic centre built by Conder since the re-organisation of local government in 1974. The 4-storey 11,000 sq metre complex for over 400 staff will be one of the largest in the country. Completion is scheduled for mid-1992.

The company has been awarded £40m orders in both the public and private sectors.

Public sector contracts include a leisure centre for Oadby & Wigston BC, and two swimming pools for Vale Royal BC. Work has started on an arts and media centre, and a leisure centre, both for Walsall MBC.

In the private sector awards include two phases of Bartley Wood Business Park for Crest Estates; a private hospital for IBH at Tunbridge Wells, and a flight simulator building for British Midland Airways. Conder Projects has also started on a multi-million pound retail park at Teesside for Ford Sellar Morris Properties.

Factory for Fujitsu

SIR ROBERT McALPINE & SONS has been awarded a design, manage and construct contract by Fujitsu Microelectronics as part of a £400m investment programme for a semi-conductor manufacturing facility at Newton Aycliffe, County Durham.

Two main structures will be built on a 42 hectare site. The larger building, 66 x 190 metres, is sub-divided into the wafer fabrication building and the assembly/test building. The utilities building, 70 x 40 metres on two levels, houses the main power plant and specialist water treatment facilities. Buildings generally are of structural steel frame construction with metal cladding and some curtain walling. A large part of the fabication building will be for air movement and purification systems to meet the specification of the clean room.

Redeveloping Hospital for Sick Children

KYLE STEWART has won the contract to redevelop the Hospital for Sick Children, Great Ormond Street, London. The project is worth about £30m, and work starts at the end of this month, for completion in January 1993.

The scheme includes construction of a clinical building containing four wards with 90 beds - 70 beds to be in single rooms with space for both child and parent, all with en suite bathroom, with the remaining beds in four-bed rooms. An intensive therapy unit will comprise three 10-bed units, with 16 beds in single rooms. There will be an operating department with six theatre suites and recovery area; cafeteria; and ancillary accommodation; plus parking for about 45 vehicles.

Demolition of the previous buildings is complete, leaving the listed chapel which is to be moved to the north side of the new building.

The company has started work on a £13m contract for UK Land Developments at Northampton business park. It will provide some 120,000 sq ft of office spce for Barclays Bank. Completion is due in June 1991.

Steel tubes win supporting role in three films

Three films going into production in the UK - including "Hamlet" with Mel Gibson - have brought orders worth around £1m to **WESTMINSTER SCAFFOLDING**.

The company will provide all the scaffolding needed to build the sets for the films which could involve as much as 150-250 miles of steel tubing. "Hamlet" is being shot at Dover Castle, while others will be on several locations throughout England and Scotland.

LEGAL COLUMN

Hope for world litigants in the best little courthouse in Texas

By Sir Michael Ogden

THE DECISION of the Texas Supreme Court in the case of Dow Chemical and Shell Oil v Alfara should be of concern to all British businessmen who have dealings in that state.

It should also interest those with assets that could be seized to satisfy a judgment given by a Texas court as well as their insurers.

The reason can readily be illustrated by an example. An English resident struck in London by a vehicle driven by another English resident can now sue the driver's English employers in Texas, if the employers carry on business in, or have contacts with, Texas.

Such an action could result in an award of damages much larger than could be awarded in any British court.

This astonishing state of affairs results from the Texas Supreme Court's decision that section 71.031 of Texas's Civil Practice & Remedies Code has abolished the doctrine of *forum non conveniens* in cases brought under that section.

'Like turn-of-the-century wildcatters, the plaintiffs in this case searched all across the nation for a place to make their claims. Through three courts they moved, filing their lawsuits on one coast and then on the other. Their efforts are finally rewarded. Today they hit pay dirt in Texas.'
- Justice Cook

That doctrine, which appears to have originated in Scotland in the 17th century, is used by courts to decline to hear a case if convenience and the ends of justice would be best served by trial in another forum.

Alfara and his co-plaintiffs, who were residents of Costa Rica, alleged that a pesticide manufactured by Dow and Shell injured them in the course of their employment on a banana plantation in Costa Rica.

In a dissenting opinion, Justice Cook said: "Like turn-of-the-century wildcatters, the plaintiffs in this case searched all across the nation for a place to make their claims. Through three courts they moved, filing their lawsuits on one coast and then on the other. By each of those courts the plaintiffs were rejected, and so they continued their search for a more willing forum. Their efforts are finally rewarded. Today they hit pay dirt in Texas."

The original version of section 71.031 was enacted in 1913 with the caption "protection of citizens of this state injured in foreign countries . . ." apparently to preclude courts in Texas from dismissing suits on the ground that the law to be applied was dissimilar to that in the foreign state.

However, the current version now reads: "An action for damages for the death or personal injury of a citizen of this state, of the United States, or of a foreign country may be enforced in the courts of this state, although the wrongful act, neglect, or default causing the death or injury takes place in a foreign state or country," subject to conditions which are irrelevant for present purposes.

The issue before the Texas Supreme Court was whether a consequence of this enactment or its predecessors would be that the doctrine of *forum non conveniens* was cancelled.

The court held that the doctrine had been abrogated and no complaint could be made about the decision, although a decision the other way would also have been reasonable.

The latter was also the conclusion of Kansas and Iowa courts in respect of similar legislation.

What is remarkable is the intemperate nature of some of the opinions. Justice Gonzalez said that his dissent was "twisted" by Justice Doggett, who had used "fiery rhetoric."

Justice Doggett in turn accused the dissenters of using rhetoric and "in their zeal to implement their own preferred social policy that Texas corporations not be held responsible at home for harm caused abroad," and that the dissenters "refuse to be restrained" by express statutory language or precedent.

Doubtless, carried away by the heat of battle, Justice Doggett said that "both as a matter of law and of public policy, the doctrine of *forum non conveniens* is without justification."

Obviously, he feels, with the vision of a prophet, that he is able to discern the error of most common-law judges who apply the doctrine in the US, Britain and elsewhere.

Whatever may be said about product-liability cases, I find it difficult to believe that Justice Doggett had considered, for example, road traffic cases, and that he concluded that it was appropriate and proper for a Texas court to try a case brought by an English lawyer struck down outside the Law Courts in the Strand by an English driver, whose English employers happened to carry out work in Texas.

In a short but helpful concurring opinion, Justice Hightower said: "The Texas Legislature may not have intended to make Texas the world's forum of final resort. However, the wording of section 71.031 is clear, and we must respect what the legislature has done. If the legislature did not intend to statutorily preclude the adoption of the doctrine of *forum non conveniens*, however, it may have been defined in 1931 when it enacted the predecessors of section 71.031. I encourage the legislature to amend section 71.031 to clarify its intent. Otherwise, the legislature's failure to act will evidence its adoption of our interpretation."

Since the British Parliament often enacts legislation that has unintended results, I suspect that Justice Hightower may be right.

In pointing out that only a few lawyers stand to gain if Texas is made the "courthouse of the world," Justice Hecht quoted the observation by Lord Denning: "As a moth is drawn to the light, so is a litigant drawn to the United States. If he can get his case into their courts, he stands to win a fortune."

Alabama amended its legislation to provide for the doctrine of *forum non conveniens* to be applied when its Supreme Court ruled that existing legislation precluded it.

I hope that Texas will do likewise, since the present situation constitutes a very unsatisfactory breach of comity between legal jurisdictions.

Of course, the defendant can attempt to persuade an English court to restrain the plaintiff from continuing the Texas proceedings. But, even if successful, a plaintiff who is likely to get a large award in Texas can evade the order by going to live outside the UK.

Meanwhile, what should British businessmen do? Jurisdiction will arise only when a defendant "has certain minimum contacts" with the state "such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice."

One does not need much contact for "minimum contact" to be established. (Having been paid to give expert evidence for a defendant who unsuccessfully attempted to invoke the doctrine, I fear that I might be held to have the necessary minimum contact.)

Britain has refused to extend its reciprocity of judgments legislation to the US, so that if someone has no assets that would be at risk from a Texas judgment, there is no danger. However, if assets are at risk, someone who has minimum contact with Texas should consider whether to act through a subsidiary company.

'The Texas Legislature may not have intended to make Texas the world's forum of final resort. However we must respect what the legislature has done. I encourage the legislature to . . . clarify its intent. Otherwise, failure to act will evidence its adoption of our interpretation.'
- Justice Hightower

But since that is not always an effective safeguard, it might be prudent to move operations to another state altogether.

An incentive to take defensive measures would certainly arise if British insurers were to take sufficient interest to take the risk into account when assessing premiums.

The author is a barrister based in the Temple, London.

WORLD STOCK MARKETS

AUSTRIA

1990 High	Low	July 6	Price Sch
5,285	2,885	Austrian Airlines	4,960
7,300	4,982	Creditanstalt	6,950
29,590	19,700	Erste Allgemeine	23,800
19,600	14,400	Jungbunzlauer	14,580
1,435	660	Laenderbank	1,265
14,230	8,350	OeMV	11,600
2,380	1,680	Perlmooser	2,000
1,280	885	Radex	1,280
3,400	2,230	Reininghaus	2,620
290	115	Steyr-Daimler	220
1,510	980	Veitscher Mag	1,225
770	425	Verbund	617
7,580	5,860	Wienerberger	6,550

BELGIUM/LUXEMBOURG

1990 High	Low	July 6	Price Frs.
5,700	3,900	Arbed	5,220
3,520	2,800	B.B.L	2,940
15,700	15,100	Bank Intl a Lux	15,400
15,000	14,600	Banque Gen. Du Lux	14,600
37,000	32,000	Banque Nat Belg	34,125
2,470	1,865	Barco	2,200
16,650	13,925	Bekaert B	13,925
9,520	6,930	Ciment CBR	9,330
6,140	5,000	Cobepa	5,600
6,030	4,950	Do AFV 1	5,600
214	170	Cockerill	178
2,715	1,860	Colruyt	2,715
6,450	5,000	Delhaize	6,450
4,560	3,860	EBES	3,935
4,490	3,760	Do. AFV 1	3,870
544	220	Fabrique Nat	229
1,408	1,194	GIB Group	1,378
1,398	1,072	Do. AFV	1,370
4,640	3,870	GBL(BruxL)	3,950
4,630	3,815	Do. AFV 1	3,930

FRANCE (continued)

1990 High	Low	July 6	Price Frs.
935	725	Beghin-Say	930
685	500	Do. Certs	685
3,480	2,695	Bongrain	3,350
683	525	Bouygues	630
1,534	1,190	CGIP	1,293
235	163.3	CMB Packaging	191.6
3,780	3,065	Carrefour	3,595
215	124	Casino	125.5
649	489	Cetelem	553
1,376	997	Chargeurs	1,001
1,813	1,241	Ciments Fr.	1,710
788	597	Club Mediterranee	612
432	345	Cofimeg	360
486	352	Cogifi	405
644	517	CGE	644
629	343	Coparex	585
262.8	213.5	CCF	229
1,420	1,219	Cred Foncier Fr	1,272
898	650	Cred Lyoon (CI)	791
1,591	1,183	Credit National	1,450
4,330	2,790	Damart	2,790
5,770	3,680	Docks de France	3,810
643	521	Dollfuss-Mieg	524
672	485	Dumez S.A.	641
2,750	2,015	Eaux (Cie Gen)	2,643
620	454	Ecco	530
1,083	880	Electrofin're	982
730	511	Elf-Aquitaine	652
521	406	Do Certs	489
1,400	1,135	Epeda-Bertrand	1,145
3,020	2,400	Essilor	2,645
2,515	1,760	Eurafi (Fra.)	2,074
2,690	1,996	Eurafrance	1,996
2,450	1,731	Eurocom	2,117
108.2	90	Euro Disneyland	99 3
4,920	3,611	Euromarche	4,150
2,029	1,630	Exor	1,676
221	180	Finextel	180.1
1,120	815	Fonciere Lyons	1,034

INDICES

NEW YORK

DOW JONES	July 6	July 5	July 3	July 2	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2904.95	2879.21	2911.63	2899.26	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	91.04	91.10	91.11	91.09	93.64 (3/1)	88.48 (2/5)	—	—
Transport	1140.69	1131.02	1140.51	1144.16	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.11	206.17	208.94	209.57	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2919.80 (2906.44) Low 2867.57 (2863.61)

STANDARD AND POOR'S

	July 6	July 5	July 3	July 2	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	358.42	355.68	360.16	359.54	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	422.33	418.90	423.73	422.50	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	28.71	28.51	28.91	29.00	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.78	194.45	196.61	196.22	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	358.57	358.49	360.67	360.14	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.53	459.19	461.76	462.04	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Jun 29	Jun 22	Jun 15	year ago (approx.)
Dow Industrial Div. Yield	3.74	3.77	3.67	3.70

	Jul 4	Jun 27	Jun 20	year ago (approx.)
S & P Industrial div. yield	2.92	2.97	2.93	3.09
S & P Indl. P/E ratio	17.00	16.70	16.87	12.97

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Panhandle	2,906,000	19⅛	- 2
Philip Morris	2,838,600	49⅛	+ 1¼
AT & T	1,442,400	38¼	---
Comstock	1,318,600	9¼	- ⅛
Boeing	1,206,100	60½	+ 1¼
Lilley (E/I)	1,045,700	86⅛	+ ¼
Am. Express	996,800	31⅞	+ ⅛
Exxon	812,400	47¼	+ 1
Coca Cola	778,900	44⅛	+ ⅛
Bristol Myers	733,200	63⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	July 6	July 5	July 3
New York	111.730	128.320	130.050
Amex	7.324	7.865	11.552
NASDAQ	(a)	97.761	131.015
Issues Traded	1,944	1,946	1,973
Rises	851	403	828
Falls	540	1,063	650
Unchanged	553	480	495
New Highs	42	32	70
New Lows	45	52	41

CANADA

TORONTO	July 6	July 5	July 4	July 3	1990 HIGH	1990 LOW
Metals & Minerals	3271.00	3257.40	3296.80	3262.20	3453.05 (4/1)	2850.80 (23/4)
Composite	3549.80	3551.30	3575.30	3560.00	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1840.71	1836.79	1852.48	1841.50	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable.

	July 6	July 5	July 4	July 3	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1504.2	1507.7	1541.1	1502.8	1713.7 (2/1)	1434.5 (30/4)
All Mining (1/1/80)	737.1	741.9	734.7	718.6	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	621.24	621.82	618.99	615.67	703.29 (19/3)	526.99 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6245.14	6240.26	6274.42	6281.62	6999.43 (2/1)	5968.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	378.20	379.66	379.82	378.10	382.50 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	539.8	540.3	537.0	539.0	677.3 (23/1)	537.0 (4/7)
FRANCE						
CAC General (31/12/82)	533.96	538.33	543.07	543.99	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2001.96	1999.98	2015.95	2031.98	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	814.22	814.26	814.26	807.32	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2364.2	2354.3	2355.2	2330.3	2414.8 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1932.80	1914.18	1925.13	1906.23	1968.55 (30/3)	1756.42 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3367.41	3356.44	3363.49	3356.55	3363.49 (4/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1678.05	1684.48	1689.21	1687.73	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	729.49	738.63	736.94	741.38	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32445.12	32351.67	32445.92	32414.60	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2364.30	2362.04	2363.35	2349.48	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4323.05	4253.80	4222.84	4203.67	4323.05 (6/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	593.86	592.98	586.39	586.36	622.30 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	264.1	263.6	265.3	266.3	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	196.7	196.4	197.6	198.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	830.87	832.25	827.07	824.00	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	873.67	870.46	837.82	[illegible]	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	434.47	435.02	434.05	(c)	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1532.0	1537.0	1567.0	1574.0	2290.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2973.0	2977.0	2984.0	2973.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	716.17	723.10	735.30	745.04	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	298.23	299.12	300.10	298.68	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1325.0	1329.9	1328.2	[illegible]	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	843.3	836.8	844.2	837.3	844.2 (4/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	4693.20	4594.55	4677.18	4905.87	12495.34 (10/2)	4594.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1050.13	1070.18	1087.52	1087.53	1087.53 (3/7)	768.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(c)	523.3	527.6	524.0	571.0 (4/1)	466.3 (2/4)

**Saturday June 30: Taiwan Weighted Price: 5049.58; Korea Comp Ex. 706.79

♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7; JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday July 6 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui M&Smltng	12.4m	825	+25	Nippon Steel	4.6m	561	-7
Canon	11.7m	1,900	+40	MHI	4.4m	999	+4
Mitsu Plastics	6m	1,100	+70	Toko Inc.	3.9m	1,080	+40
Alps Electric	5.3m	2,510	+30	Hitachi	[illegible]	1,520	+30
Toshiba	4.7m	1,080	+20	Kyushu Matsushi	3.7m	4,100	+10

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak. Inc VAT

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Unit Name	Init charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	Code
High Income						
American Income	6	49.44	49.90	53.17	5.19	[illegible]
Gilts & Fixed Int	6	104.0	104.0	110.4	9.96	[illegible]
High Inc Equity	6	132.7	133.9	142.2	6.43	[illegible]
Worldwide Bond	6	186.0	186.0	197.4	6.53	[illegible]
Capital Growth						
American Growth	6	104.2	106.0	197.8	1.19	[illegible]
Asian Pacific	6	137.5	140.6	149.5	0.00	40005
Assets & Earnings	6	157.6	161.4	171.6	2.83	[illegible]
Capital Reserve Acc	0	93.21	93.21	93.41	7.64	[illegible]
Capital Reserve Inc	0	78.35	78.35	78.51	7.64	[illegible]
Commodity & Energy	6	90.17	92.25	98.24	2.00	[illegible]
Dividend & Growth	6	47.13	48.23	51.28	4.39	[illegible]
1992 Enterprise	6	62.72	64.07	68.15	1.47	[illegible]
Euro Capital Acc	6	103.1	104.5	111.1	0.89	[illegible]
Euro Capital Inc	6	[illegible]	[illegible]	[illegible]	0.89	[illegible]
General	6	176.5	180.1	191.5	2.61	[illegible]
International	6	60.24	61.04	64.93	0.77	[illegible]
Japan	6	101.4	102.1	108.6	0.00	[illegible]
[illegible]	6	[illegible]	[illegible]	[illegible]	1.73	[illegible]
UK Growth Acc	6	175.3	180.0	194.6	2.55	[illegible]
UK Growth Dist	6	114.9	119.3	127.1	2.55	[illegible]
US Emerging Cos	6	57.71	59.13	62.89	0.00	[illegible]
Income & Growth	6	[illegible]	[illegible]	[illegible]	3.14	[illegible]
Ethical	6	47.44	48.67	51.77	[illegible]	[illegible]

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ [illegible]

GUIDE TO UNIT TRUST PRICING

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT -

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Touche Remnant Unit Tst Mngt Ltd –Contd.						
TR Income Growth	5¼	86.37	87.07xd	92.62	4.76	41530
TR Income Monthly	5¼	51.97	51.97	55.28	6.96	41531
TR Japan Growth	5¼	84.75	84.75xd	89.96	0	41532
TR Overseas Growth	5¼	67.45	67.45	71.91	0	41533
TR Smaller Cos	5¼	77.48	77.48	82.42	3.69	41534
TR Special Ops	5¼	84.39	84.39	87.77	4.39	41535
TR Gtd Eq Plan Acc.	5¼	35.79	35.79	38.07	3.02	41536
TR Gtd Eq Plan Inc	5¼	33.57	33.57	35.71	3.03	41537
TR Wwide Sp Sit Acc	5¼	39.33	39.33	42.18	0	41538
TR Wwide Sp Sit Inc	5¼	39.29	39.29	42.13	0	41539
TR Pension Portfolio						
TR American Grth ♣	6	27.91	28.28	29.98	0	46977
TR Eur Sp Sits ♣	6	35.42	35.92	38.07	0	[illegible]
TR General Growth ♣	6	25.79	26.06	27.63	0	[illegible]
TR Global Tech ♣	6	30.13	30.53	32.36	0	46980
TR Income Growth ♣	6	25.87	26.14	27.71	0	46981
TR Japan Growth ♣	6	26.59	26.82	28.43	0	46982
TR Mgd Equity ♣	6	27.44	27.73	29.39	0	46983
TR Overseas Growth ♣	6	28.96	29.33	31.09	0	46984
TR Smaller Cos ♣	6	18.34	18.53	19.65	0	46985
TR Special Ops ♣	6	17.38	17.57	18.62	0	46987
TR Stlg Liquidity ♣	6	26.64	27.10	28.23	0	46986
TR Wwide Sp Sits ♣	6	32.02	32.62	34.57	0	46988
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	253.8	259.7	273.3	3.16	41540
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	167.3	169.9	180.8	3.36	41541
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklersbury, London EC4N 0800 373574						
Austral Value	5¼	40.76	40.76	43.22		41550
British Lion	5	87.35	87.35	92.61	4.10	41548
Accum Units	5	92.31	92.31	97.86	4.10	41549
Capital Defender	5	35.34	35.34xd	37.47	10.37	41542
Accum Units	5	42.42	42.42	44.98	10.37	41543
1992 Eurogrowth Acc	5	77.16	77.16	81.80	1.07	46673
Income	5	77.30	77.30	81.95	8.20	41544
Accum Units	5	88.99	88.99	94.34	8.20	41545
Smaller Co's	5	71.83	71.83	76.15	3.54	41546
Accum Units	5	74.99	74.99	79.49	3.54	41547
Tiger Accum H.	5¼	74.71	74.71	79.20	2.86	46674
UK Unit Trust Managers Ltd (0905)F						
Worthing Road, Horsham RH12 1SL 0403 50033						
British Growth	5¼	61.21	63.45	67.49	2.21	41551

	Bid Price	Offer Price	Yield Gross	City-line
Abbey Life Assurance Co Ltd – Contd.				
High Inc. Ser. 4	471.2	496.1	–	41618
Money Ser 4	251.7	265.0	–	41621
Intl Ser. 4	114.3	120.3	–	47021
Custodian Ser 4	104.5	110.0	–	47022
Pension Funds				
Property	637.3	670.9	–	41623
Equity	1185.9	1248.4	–	41624
Selective	383.7	403.9	–	41625
Managed	862.6	908.1	–	41626
Security	499.2	525.5	–	41627
Fixed Int.	262.0	275.8	–	41628
Indexed	158.3	166.7	–	41632
American	267.6	281.7	–	41630
Japan	320.9	337.8	–	41631
European	188.6	198.6	–	41629
High Income	132.5	139.5	–	46175
Ethical	122.1	128.6	–	46174
International	208.9	219.9	–	41633
Acuma Life Assurance Ltd				
The Glanty, Egham, Surrey TW20 9AT 0784 475333				
Managed	173.2	182.3	–	42158
World Growth	143.8	[illegible]	–	42159
UK Equity	201.0	211.5	–	42160
UK Small Companies	174.8	184.0	–	42161
European	153.8	161.8	–	42162
Far Eastern	313.2	329.6	–	42163
Nth American	106.6	112.2	–	42164
Fixed Interest	[illegible]	134.5	–	42165
Index Linked Stks.	143.0	150.5	–	42166
Money	129.2	135.9	–	42167
Pen Managed	221.5	233.2	–	42168
Pen World Growth	158.3	166.6	–	42169
Pen UK Equity	287.5	302.6	–	42170
Pen UK Small Cos	220.8	232.4	–	42171
Pen European	150.4	158.3	–	42172
Pen Far Eastern	464.2	488.6	–	42173
Pen Nth American	108.6	114.3	–	42174
Pen Fixed Interest	[illegible]	164.4	–	42175
Pen Index Lnkd Stks	153.6	161.6	–	42176
Pen Money	150.1	157.9	–	42177
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd. London N1 9XD 0800 010575				
Life Funds (Accumulator Units)				
Squirrel	13.68	14.62	–	[illegible]
[illegible]	13.78	14.51	–	41637

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	168.9	177.8	–	43235
Prop. Acc. (Gross)	289.6	304.9	–	43236
Equity (Gross)	805.6	848.0	–	43237
Managed (Gross)	563.7	593.4	–	43238
Prop. Acc. (Net)	134.8	141.9	–	43239
Equity (Net)	185.9	195.7	–	43240
Managed (Net)	172.1	181.2	–	43241
Internat'nal (net)	165.5	174.2	–	43242
Gilt & Fxd Interest	104.5	110.1	–	43243
Money Fund	116.8	122.9	–	43244
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	571.9	602.0	–	43245
Ret Man (Series 2)	193.9	204.2	–	43246
Ret Man (Series 3)	129.3	129.3	–	46462
Ret Cash	156.8	165.1	–	43247
Ret Cash (Series 3)	130.2	130.2	–	46463
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	104.9	110.4	–	43306
Managed Balanced	98.1	103.3	–	43346
Managed Cautious	94.2	99.1	–	43350
Pension Funds				
Managed Aggressive	105.8	111.4	–	43307
Managed Balance	99.6	104.9	–	43347
Managed Cautious	95.2	100.2	–	43351
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	324.4	341.5	–	43272
Man Pen Inc & Cap Fds.	433.2	456.1	–	43273
Money Fund	131.4	138.4	–	43274
Pens Mngd Fd (Unit)	115.9	122.0	–	43275
Pens Mngd Fd (Acc)	149.5	157.4	–	43276
Pens FT30 Fd (Unit)	147.0	154.8	–	43277
Pens FT30 Fd (Acc)	189.5	199.5	–	43278
Pens O'seas MgFd(Unit)	79.1	83.3	–	43279
Pens O'seas MgFd(Acc)	102.0	107.4	–	43280
Pens Fxd Int Fd (Unit)	102.7	108.2	–	43281
Pens Fxd Int Fd (Acc)	132.5	139.5	–	43282
Pens Deposit Fd (Unit)	112.9	118.9	–	43283
Pens Deposit Fd (Acc)	145.6	153.3	–	43284

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed July 7	250.0	260.5	–	43612
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Holborn Series I Life Funds				
Managed	566.5	596.5	–	46553
Equity	1140.4	1200.5	–	46554
Fixed Interest	377.9	397.8	–	46555
Property	432.9	455.7	–	46556
Cash	288.8	304.0	–	46557
International	390.5	411.1	–	46558
Holborn Series II Life Funds				
Managed	543.9	572.6	–	43513
Equity	1111.7	1170.3	–	43514
International	381.8	401.9	–	43515
Fixed Int.	367.0	386.4	–	43516
Property	420.7	442.9	–	43517
Cash	280.9	295.7	–	43518
Pacific Basin	206.2	217.1	–	43519
North American	144.8	152.5	–	43520
European	191.1	201.2	–	43521
Holborn Balanced Gwth	114.4	120.5	–	43522
Holborn Strategic Gwth	114.5	120.6	–	43523
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Managed	577.2	607.6	–	43524
Equity	838.2	882.4	–	43525
Global Equity	240.6	253.3	–	43526
Fixed Interest	408.9	430.5	–	43527
Property	432.7	455.5	–	43528
Cash	180.4	189.9	–	43529
Index Linked Gilt	206.5	217.4	–	43530
Guaranteed	13.75		–	43531
International Money	209.5	220.6	–	43532
North American	70.8	74.6	–	43533
Japanese	122.8	129.3	–	43534
European	114.5	120.6	–	43535
Special Situations	115.2	121.3	–	43536
Communications	96.7	101.8	–	43537
Smaller Companies	110.0	115.8	–	43538
International Small Cos	141.0	148.5	–	46559

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 071-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Investment Portfolio Services Ltd				
15 Manchester Sq., London W1M 5AE 071-486 0177				
IPS Investment Bond Managed Fd				
IPS Bond Fd.	194.5	204.8	–	44483
IPS Global Grwth Fd.	113.4	119.2	–	44484
IPS Masterfund II.		109.8	–	47240
I.P.S. Lamont plc				
15 Manchester Sq. London W1M 5AE 071-224 4488				
Recommended P'folio.		114.1	–	47254
Private Speculator		103.0	–	47255
Global Select P'folio.		151.9	–	47256
Private Portfolio(z)	124.3	130.8	–	46309

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Leopold Joseph Fund Mngmt (Guernsey) Ltd						
PO Box 244, St Peter Port, Guernsey 0481 712771						
L.J. Internat. Fd	.5	£27.87	27.87	30.21	–	46342
LJ & S Currency Fund						
Sterling	0	£20.843	20.843	20.844	–	47265
US Dollar	0	$34.975	34.975	34.976	–	47266
Deutschmark	0	DM66.950	66.950	66.951	–	47267
French Franc	0	FFr174.17	174.17	174.18	–	47268
Swiss Franc	0	SFr55.393	55.393	55.394	–	47269
Japanese Yen	0	Y5185.30	5185.30	5185.40	–	47270

Kleinwort Benson Intl Fd Mngrs Ltd
PO Box 44, Guernsey, CI 0481 27111

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.03	11.09	-	46492
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£13.12	13.92	-	44712
Pacific Basin Fd	999.58	105.69	-	44713
Western European	$17.26	18.49	-	44714
The Thai-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV June 29		25.49	-	46323
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.26	1.33	-	45880
Hi Yield Bond	62.0	65.2	13.30	45881
Internat. Spec. Sits.	45.9	48.3	-	45882
[illegible] Fd	90.2	94.8	-	45883
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$713.71		-	45903
Fixed Income Shares	$832.91		-	45904
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$14.02	14.72	-	45995
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$12.44		-	46000
Yamaichi ISS Fund	$8.92		-	46591
Yamaichi CB Plus Fund	99.31		-	47335
Thai Inv Fund	$13.78		-	46493

IRELAND (SIB RECOGNISED)

Unit Name	Intl Charge	Canc. Price	Bid Price	Offer Price	Yield Grs	City-line
AIB Fund Management Ltd "MI Trusts"						
MI Global Dollar	5	-	1.02	1.09	-	43441

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)H

Lord Street, Douglas, IoM 0624 661551

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
Allied Irish Fund Managers - Contd.				
Do Sterling Equivalent	£21.5336		-	44685
Ecu	Ecu13.0518		-	46562
Irish Gilt Fd.	I£191.1524		-	46563
Intl Managed Dollar	$24.0675		-	47336
Intl Managed Bond	I£21.8845		-	47337
Barclays Intl Funds				
Currency Funds				
Sterling	£18.18		13.8	44718
US Dollar	$29.10		6.9	44719
Deutschemark	DM49.94		6.7	44720
Yen	Y3.725		5.9	44721
Managed Multicurrency	£12.09	12.52	-	44722
Managed Multicurrency	$23.77	24.62	-	44723
Bond Funds				
Sterling Bond	£0.383	0.398	11.9	44724
US Government Income	$95.96	99.38	8.0	44725
Brown Shipley Fund Mgmt (CI) Ltd				
Sterling Bd(h)(Daily)	£8.82	9.13	10.96	44786
Sterling Cap (Daily)	£32.11	32.13	-	44787
Intl. Bond (Daily)	$15.20	16.21	7.96	44788
Int Currency (Wed)	£1.43	1.52	7.89	44789
Cater Allen Investment Management (CI)				
CA Gilt Income	£6.79	7.10	16.90	44830
CA Gilt & Futures	[illegible]	[illegible]	8.10	44831
CA Equity Gwth(2-1)	£4.68	5.00	3.94	44832
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschmark	DM26.931		-	44834
Yen	Y2722.139		-	44835
Sterling	£10.284		-	44836
US Dollar	$16.654		-	44838
Managed	$16.200		-	44839
Short term Investment Funds				
Irish £ July 5	98.595		-	44841
Equity Funds				
Global Equity	$17.389		-	44843
Japan Equity July 5	$11.154		-	44845
European Equity July 9	$16.847		-	44847
US Em Hith July 9	$13.355		-	44849
US Spec Sits July 9	$15.038		-	44850
US Em Tech July 9	$14.713		-	44851
CHIcare July 9	$20.439		-	44852
Bond Funds				
Global Bond	$13.368		-	44853
GNMA Bond July 9	$12.297	12.261	-	44855
HYB (A) July 9	$77693.258		-	44856

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Futures in doldrums despite strong pound

The pound gained 5 pfennigs last week, but a bullish trend on the foreign exchanges was not carried over to trading in short sterling futures on Liffe. Volume in short sterling was generally low and the most heavily traded contract shifted from the near delivery month of September to December. Considering that the near date is still two months away from delivery this is an extremely early time for December to become the most heavily traded month.

This fact plus fairly low volume in the market points strongly to the belief that bank base rates will still be at 15 per cent by September. There is some divergence of views about the likely level of rates at the end of the year, but optimism about lower rates was dampened by comments from Mr John Major, the Chancellor, last week. Short sterling weakened when Mr Major warned Parliament that the volume of credit being advanced is too high and then fell through support levels on Friday when he told Welsh Conservatives that it will be a while before the retail price index falls decisively.

Economic news, including the UK producer price index today and retail prices on Friday, may turn attention away from speculation about sterling's entry into the exchange rate mechanism of the European Monetary System and back towards fundamentals. Sterling was very firm, but if it should run out of steam and the economic news is disappointing short sterling futures may have room for a further small retreat. At the very least trading seems set to remain in the doldrums.

UK clearing bank base lending rate 15 per cent from October 5

£ IN NEW YORK

July 6	Close	Previous Close
£ Spot	1.7860-1.7870	1.7810-1.7820
1 month	0.99-0.98pm	1.01-0.99pm
3 months	2.86-2.86pm	2.89-2.87pm
12 months	9.52-9.42pm	9.57-9.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 6	Previous
8.30 am	93.1	92.7
9.00 am	93.0	92.9
10.00 am	92.9	92.9
11.00 am	92.9	92.9
Noon	93.0	92.9
1.00 pm	92.9	92.9
2.00 pm	92.9	92.9
3.00 pm	92.9	92.9
4.00 pm	93.1	92.7

CURRENCY RATES

July 6	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.748478	0.700895
U.S. Dollar	7	1.33738	1.25075
Canadian $	13.32	1.55837	1.45662
Austrian Sch.	6½	15.5216	14.5474
Belgian Franc	10¼	45.3840	42.4941
Danish Krone	10½	8.40008	7.86845
Deutsche Mark	6.00	2.20641	2.06686
Neth Guilder	7.00	2.48918	2.32751
French Franc	10¼	7.40440	6.93664
Italian Lira	13½	1618.60	1515.90
Japanese Yen	5¼	201.677	188.925
Norway Krone	8	8.48233	7.94412
Spanish Peseta	-	135.311	126.719
Swedish Krona	11	8.01492	7.49385
Swiss Franc	6.00	1.86698	1.75104
Greek Drach.	20½	216.322	202.408
Irish Punt	-	0.825103	0.770794

† European Commission Calculation.
* All SDR rates are for July 5

CURRENCY MOVEMENTS

July 6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.1	-19.6
U.S. Dollar	66.2	-12.2
Canadian Dollar	104.0	+1.2
Austrian Schilling	109.4	+11.4
Belgian Franc	111.0	-2.5
Danish Krone	110.1	+4.6
Deutsche Mark	118.0	+23.8
Swiss Franc	113.6	+22.0
Guilder	114.0	+15.6
French Franc	104.2	-12.3
Lira	101.0	-18.4
Yen	121.2	+50.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)** Rates are for July 5.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7865	1.7766	1.7577	1.7322	1.6915

IMM-STERLING $s per £

	Close	High	Low	Prev.
Sep	1.7638	1.7664	1.7576	1.7586
Dec	1.7376	1.7390	1.7326	1.7324
Mar	1.7142	1.7150	-	1.7090

OTHER CURRENCIES

July 6	£	$
Argentina	9383.80 - 9424.80	5260.00 - 5280.00
Australia	2.2385 - 2.2405	1.2530 - 1.2540
Brazil	117.720 - 118.860	66.000 - 66.600
Finland	6.8945 - 6.9165	3.8650 - 3.8680
Greece	286.55 - 291.05	160.40 - 163.00
Hong Kong	13.8835 - 13.8970	7.7775 - 7.7795
Iran	121.40*	69.20*
Korea(Sth)	1263.90 - 1284.35	713.20 - 718.80
Kuwait	0.5200 - 0.5220	0.2910 - 0.2920
Luxembourg	60.60 - 60.70	33.90 - 34.00
Malaysia	4.8245 - 4.8365	2.7050 - 2.7070
Mexico	5110.30 - 5114.95	2865.00 - 2866.00
N. Zealand	3.0225 - 3.0245	1.6920 - 1.6940
Saudi Ar.	6.6965 - 6.7025	3.7495 - 3.7505
Singapore	3.2615 - 3.2690	1.8290 - 1.8310
S. Af (Cm)	4.7125 - 4.7245	2.6420 - 2.6435
S. Af (Fn)	7.1130 - 7.2580	3.9840 - 4.0650
Taiwan	48.35 - 48.45	27.10 - 27.15
U.A.E.	6.5570 - 6.5645	3.6715 - 3.6735

*Selling rate

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Sep	0.6607	0.6652	0.6598	0.6646
Dec	0.6618	0.6660	0.6616	0.6655
Mar	0.6630	0.6643	0.6643	0.6665

[illegible]

Previous day's open int: Calls 349,318 Puts 344,227 (All currencies)
Previous day's volume: Calls 17,523 Puts 15,060 (All currencies)

POUND SPOT- FORWARD AGAINST THE POUND

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7805 - 1.7910	1.7860 - 1.7870	1.00-0.98cpm	6.65	2.89-2.86pm	6.44
Canada	2.0740 - 2.0840	2.0785 - 2.0795	0.26-0.18cpm	1.27	0.79-0.66pm	1.39
Netherlands	3.32 - 3.33¼	3.32¾ - 3.33¾	2-1¾cpm	7.00	5½-5¼pm	6.55
Belgium	60.50 - 60.85	60.60 - 60.70	34-22cpm	5.54	92-72pm	5.41
Denmark	11.20¼ - 11.26	11.23¾ - 11.24¾	4¾-3⅞orepm	4.54	13¾-11½pm	4.43
Ireland	1.0975 - 1.1040	1.1010 - 1.1020	0.50-0.45ppm	5.17	1.40-1.30pm	4.90
W. Germany	2.95 - 2.95¾	2.95¼ - 2.95¾	1¾-1⅝pfpm	6.86	4⅞-4¾pm	6.52
Portugal	258.20 - 259.80	258.55 - 259.55	59-21cpm	1.88	78-4pm	0.66
Spain	180.70 - 181.30	180.90 - 181.30	3-4cdis	-0.22	3-7dis	-0.09
Italy	2161¼ - 2168	2167 - 2168	8-6½lirepm	4.02	21-19pm	3.70
Norway	11.31 - 11.35¼	11.33 - 11.34	4¾-3⅝orepm	4.10	11¼-10pm	3.77
France	9.89½ - 9.92½	9.91½ - 9.92½	4¼-4cpm	5.00	11¾-11½pm	4.72
Sweden	10.68¼ - 10.73	10.69½ - 10.70½	2⅞-2½orepm	2.94	7¼-5¾pm	2.43
Japan	269¼ - 270¼	269¼ - 270¼	1⅝-1½ypm	7.50	4⅞-4¾pm	7.13
Austria	20.70 - 20.78	20.75 - 20.78	11½-10½gropm	6.38	32-29¼pm	5.96
Switzerland	2.49½ - 2.50¼	2.49¾ - 2.50¾	1¼-1¼cpm	5.70	3½-3⅝pm	5.80
ECU	1.4250 - 1.4330	1.4250 - 1.4260	0.60-0.57cpm	4.92	1.65-1.60pm	4.56

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.45-5.40cpm 12 month 9.55-9.45cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7805 - 1.7910	1.7860 - 1.7870	1.00-0.98cpm	6.65	2.89-2.86pm	6.44
Ireland†	1.6200 - 1.6235	1.6220 - 1.6230	0.30-0.25cpm	2.03	0.83-0.73pm	1.92
Canada	1.1620 - 1.1660	1.1625 - 1.1635	0.51-0.54cdis	-5.41	1.47-1.52dis	-5.13
Netherlands	1.8570 - 1.8670	1.8625 - 1.8635	0.05-0.03cpm	0.26	0.04-0.01pm	0.05
Belgium	33.90 - 34.05	33.90 - 34.00	par-6.00cdis	-1.06	4.00-14.00dis	-1.06
Denmark	6.28 - 6.29¾	6.28¾ - 6.29¼	1.00-1.30oredis	-2.19	2.80-3.70dis	-2.07
W. Germany	1.6495 - 1.6575	1.6535 - 1.6545	0.03-0.01pfpm	0.15	0.03pm-0.01dis	-0.05
Portugal	145.00 - 145.15	145.00 - 145.10	50-60cdis	-4.55	180-210dis	-5.38
Spain	101.10 - 101.55	101.30 - 101.40	55-58cdis	-6.69	158-165dis	-6.38
Italy	1208¾ - 1213½	1213 - 1213½	2.30-3.00liredis	-2.62	8.00-9.00dis	-2.81
Norway	6.33¾ - 6.36	6.34¼ - 6.34¾	1.20-1.55oredis	-2.60	4.05-4.65dis	-2.74
France	5.53¾ - 5.56½	5.55 - 5.55½	0.76-0.81cdis	-1.70	2.43-2.53dis	-1.79
Sweden	5.98½ - 6.00¾	5.98¾ - 5.99¼	1.84-1.99oredis	-3.83	5.80-6.45dis	-4.09
Japan	150.50 - 151.50	150.90 - 151.00	0.12-0.10ypm	0.87	0.27-0.24pm	0.68
Austria	11.61 - 11.63	11.62½ - 11.63	0.10-0.50grodis	-0.31	0.60-1.70dis	-0.40
Switzerland	1.3960 - 1.4040	1.4010 - 1.4020	0.09-0.13cdis	-0.94	0.26-0.33dis	-0.84
ECU	1.2480 - 1.2535	1.2490 - 1.2500	0.19-0.18cpm	1.77	0.62-0.59pm	1.93

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

July 6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.787	2.955	269.8	9.920	2.503	3.328	2168	2.079	60.65
$	0.560	1	1.654	151.0	5.551	1.401	1.862	1213	1.163	33.94
DM	0.338	0.605	1	91.30	3.357	0.847	1.126	733.7	0.704	20.52
YEN	3.706	6.623	10.95	1000	36.77	9.277	12.34	8036	7.706	224.8
F Fr.	1.008	1.801	2.979	272.0	10.	2.523	3.355	2185	2.096	61.14
S Fr.	0.400	0.714	1.181	107.8	3.963	1	1.330	866.2	0.831	24.23
H Fl.	0.300	0.537	0.888	81.07	2.981	0.752	1	651.4	0.625	18.22
Lira	0.461	0.824	1.363	124.4	4.576	1.156	1.535	1000	0.959	27.98
C $	0.481	0.860	1.421	129.8	4.772	1.204	1.601	1043	1	29.17
B Fr.	1.649	2.946	4.872	444.8	16.36	4.127	5.487	3575	3.428	100

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

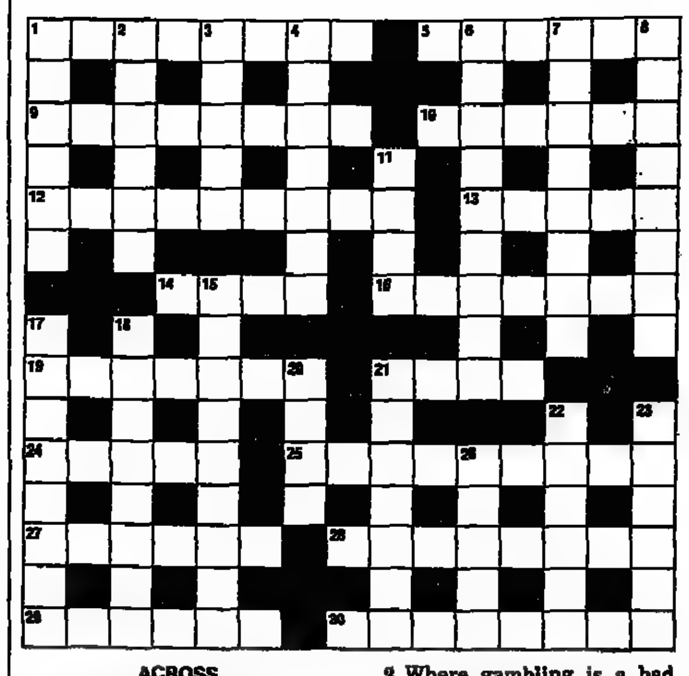
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 6 1990 US Dollar Index	% chg ($) since 29/12/89	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/89	Gross Div. Yield	THURSDAY JULY 5 1990 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (80)	147.78	-2.4	122.64	141.01	127.08	123.21	-3.3	5.86	147.78	123.05	140.82	126.70	122.98	158.31	125.85	133.95
Austria (19)	260.74	+43.1	216.38	248.80	224.22	223.87	+40.0	1.30	261.89	218.07	249.57	224.53	224.67	285.63	193.15	125.89
Belgium (61)	151.55	-2.0	125.77	144.59	130.31	126.88	-6.6	4.56	151.84	126.43	144.68	130.17	126.94	160.02	132.11	132.63
Canada (119)	137.87	-9.4	114.42	131.55	118.55	116.11	-9.0	3.49	137.85	114.79	131.35	118.17	116.14	153.61	130.37	142.41
Denmark (33)	261.47	+7.9	216.99	249.49	224.84	223.69	+3.2	1.29	262.92	218.93	250.55	225.40	224.48	262.92	236.69	211.89
Finland (26)	136.29	+2.2	113.10	130.05	117.20	110.59	-2.2	2.48	134.97	112.39	128.62	115.71	109.41	152.29	129.99	143.33
France (124)	158.80	+1.8	131.79	151.52	136.55	138.32	-2.3	2.96	159.38	132.71	151.87	136.63	138.38	168.85	141.69	123.52
West Germany (92)	138.18	+11.7	114.67	131.86	118.82	118.82	+9.2	1.89	138.57	115.39	132.07	118.80	118.80	138.65	122.05	93.82
Hong Kong (48)	139.75	+19.3	115.98	133.35	120.18	139.56	+18.9	4.50	139.19	115.90	132.63	119.33	139.05	139.75	112.24	98.39
Ireland (17)	189.55	+4.4	157.31	180.87	163.00	164.62	+0.0	2.68	190.95	159.00	181.96	163.70	165.32	198.57	172.72	139.61
Italy (96)	104.61	+6.3	86.81	99.81	89.95	94.78	+1.7	2.48	106.58	88.75	101.56	91.37	96.27	109.26	91.85	88.35
Japan (454)	149.71	-24.2	124.24	142.85	128.75	142.85	-20.4	0.59	149.79	124.73	142.74	128.44	142.74	197.26	124.40	180.54
Malaysia (35)	234.81	+2.5	194.87	224.04	201.91	244.71	+2.8	2.22	233.93	194.79	222.91	200.55	243.75	245.32	204.15	187.66
Mexico (13)	494.53	+51.9	410.40	471.87	425.25	1549.34	+61.9	0.38	494.89	412.09	471.59	424.27	1550.21	549.88	324.53	260.24
Netherland (43)	141.16	-1.9	117.15	134.69	121.39	120.03	-4.4	4.70	141.44	117.77	134.78	121.26	119.88	145.66	130.43	122.69
New Zealand (17)	66.06	-8.4	54.83	63.04	56.81	59.39	-7.8	7.47	65.82	54.81	62.73	56.43	59.25	75.36	59.57	65.83
Norway (23)	237.04	+18.6	196.72	226.18	203.84	204.14	+14.1	1.56	238.10	198.26	226.90	204.13	204.98	245.90	202.34	186.94
Singapore (25)	202.45	+14.2	168.01	193.18	174.09	170.73	+10.0	2.03	202.44	168.57	192.91	173.55	170.82	207.93	179.70	162.48
South Africa (60)	179.05	-8.9	148.59	170.84	153.96	157.50	+3.6	3.78	180.28	150.12	171.79	154.55	157.96	261.39	170.00	151.95
Spain (42)	173.80	+6.6	144.24	165.84	149.45	133.45	-1.3	4.10	175.16	145.85	166.91	150.16	134.09	175.62	132.84	152.17
Sweden (34)	230.80	+20.2	191.54	220.23	198.47	204.66	+16.3	1.98	232.19	193.34	221.26	199.06	205.72	232.74	173.89	172.90
Switzerland (67)	108.16	+15.0	89.76	103.21	93.02	93.98	+4.5	2.20	107.18	89.25	102.14	91.90	92.96	108.45	88.75	84.32
United Kingdom (304)	169.12	+6.6	140.35	161.35	145.41	140.35	-3.8	4.85	168.06	139.94	160.14	144.07	139.94	170.79	139.87	147.16
USA (539)	144.91	+1.3	120.26	138.28	124.62	144.91	+1.3	3.35	143.86	119.79	137.09	123.33	143.86	148.55	130.61	132.39
Europe (981)	152.23	+6.9	126.33	145.26	130.91	128.50	+0.1	3.57	152.22	126.75	145.06	130.51	128.46	153.43	135.57	123.60
Nordic (116)	213.54	+14.0	177.21	203.76	183.63	178.50	+9.6	1.70	214.59	178.68	204.49	183.97	179.16	214.73	185.01	169.56
Pacific Basin (659)	149.14	-22.6	123.77	142.31	128.25	141.69	-19.0	0.91	149.20	124.24	142.18	127.91	141.57	192.75	124.63	175.70
Euro-Pacific (1640)	150.80	-12.7	125.14	143.88	129.66	136.93	-12.4	2.01	150.83	125.59	143.72	129.30	136.84	174.18	130.35	154.95
North America (658)	144.39	+0.6	119.83	137.79	124.18	143.00	+0.7	3.36	143.39	119.40	136.66	122.95	142.02	147.87	131.02	132.89
Europe Ex. UK (677)	140.53	+7.2	116.62	134.11	120.87	120.98	+2.9	2.74	141.09	117.48	134.47	120.98	121.13	141.78	124.81	106.65
Pacific Ex. Japan (205)	141.56	+4.9	117.48	135.10	121.74	124.97	+4.2	4.92	141.33	117.69	134.70	121.18	124.66	141.56	122.53	117.82
World Ex. US (1832)	150.84	-12.4	125.18	143.94	129.71	136.80	-12.1	2.07	150.88	125.64	143.79	129.36	136.72	173.77	131.30	154.55
World Ex. UK (2067)	145.51	-9.6	120.76	138.85	125.14	139.29	-8.3	2.24	145.24	120.94	138.41	124.53	138.89	162.00	130.80	145.46
World Ex. So. Af. (2311)	147.41	-8.2	122.33	140.67	126.77	139.22	-8.0	2.49	147.06	122.46	140.15	126.09	138.81	161.84	131.95	145.56
World Ex. Japan (1917)	147.98	+3.1	122.81	141.21	127.27	137.73	+0.7	3.51	147.42	122.76	140.49	126.41	137.18	148.81	134.62	129.10
The World Index (2371)	147.60	-8.2	122.49	140.84	126.93	139.34	-7.9	2.50	147.26	122.62	140.34	126.26	138.94	162.05	132.25	145.60

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CROSSWORD

No.7,284 Set by DANTE



ACROSS

1 Criminal set? (8)
5 Climbs on the weighing machine (6)
9 Breaks up underworld groups (8)
10 Necessitate being in late perhaps (6)
12 Disembarks at the headland and makes a scene (9)
13 It's the herb season, we hear (5)
14 Graduate elected as principal (4)
16 Take to arms! (7)
19 Most women have this combination of give and take (7)
21 Look for support in return (4)
24 A papal order to cause dismay (5)
25 Advise newcomer how to get to work again (9)
27 Short-service commission? (6)
28 Mac's other name (8)
29 Save cash (6)
30 Complaint of untidiness (8)

DOWN

1 Its entertainment value is questionable (6)
2 Where gambling is a bad thing in company (6)
3 Turn aside for inspiration (5)
4 Aren't in order to go by rail (7)
6 Policeman examines a list (9)
7 When women propose to break with tradition (4,4)
8 Erroneously delivers a description of mirrors (8)
11 A venerable name in England's illustrious past (4)
15 It carries patients to a doctor with a classy surgical instrument (9)
17 A weather-beaten bird (8)
18 Lit a fire when awake (8)
20 Dress-ring lost by Greta? (4)
21 Classical admission of guilt (7)
22 A short time back (6)
23 He may decide on film cuts (6)
26 Fruit gives a chap energy (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 21.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Wat % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,183.4	ANZ SA1	224	.....	8.9	12.6	Feb July	1698
1,751.0	Abbey National 10p	210	-1.4	3.6	12.3	Apr Oct	5411
1,243.6	Allied Irish Ord	224	.....	4.2	29.5	Dec July	1354
1,152.4	Algemene Fl.10	£11½	-1.9	8.0	3.5	Aug May	1567
27.1	Anglo Irish	44	7.9	6.5	30.4	Jan Jul	1355
153.1	Ansbacher (H.) 1p	82	.....	4.1	12.3	April	1624
1,016.5	Bancaire Cie Fr100	£59¼	-3.7	2.2	9.5	May Mar	2202
4,738.7	Banco Bilbao Viz	£19½	1.3	4.3	9.12	Dec June	–
3,197.8	Banco de Santander	£28¼	.....	4.0	31.10	Apr Oct	–
798.1	Bank Ireland Ir£1	239	-3.2	5.8	29.5	July Dec	1360
134.4	Bank Leumi	£19¼	.....	–	–	–	1740
24.3	Bank Leumi (U.K.)	345	.....	4.9	26.2	Mar Sep	1740
894.4	Bank Scotland	118	.....	5.1	30.4	Nov Jul	1742
95.0	Do. 9¼pc Irrd Pf	95	-1.0	13.0	30.4	May Nov	1462
16.6	Bank of Wales	52	.....	7.2	30.4	Nov Jun	1743
6,276.4	Barclays £1	398	1.0	6.6	12.3	Oct May	1754
6.97	Benchmark 20p	13	-7.1	16.7	9.4	May Oct	1802
49.9	Brown Shipley £1	313	.....	5.1	11.6	Jan Aug	1983
87.0	Cater Allen £1	367	-6.7	8.9	25.6	Jan Aug	2081
23.2	Chancery	114	.....	10.5	25.6	Jan July	2102
457.2	Commerzbk DM10	£20¼	4.5	3.3	27.5	May	1046
24,891.1	Dai Ichi KBk Y50	887	-1.8	0.4	4.7	June	3221
11,196.9	Deutsche Bk DM50	£278½	1.8	1.8	17.5	May	2345
197.8	Espirito Santo	£18½	.....	2.4	–	June	5187
327.3	First Nat. Fin. 10p	205	-8.1	8.7	15.1	Mar Aug	2571
47.5	FNFC 6.3pc Cr. Pf	98	-7.5	8.6	25.6	July	2570
[illegible]	Fuji Bank Y50	978	-2.2	0.3	4.7	Dec June	1084
110.5	Gerrard & National	290	-7.6	8.7	29.5	June Dec	2686
79.1	Guinness Mahon 10p	122	.....	2.3	14.5	Jul Feb	6074
434.5	Hambros 20p	268	-0.7	5.7	25.6	Jan Sep	2812
169.5	Do. 7.5pc Cr Pf	113	-0.9	8.8	12.3	Apr Oct	4388
2,751.6	HK & Shang. HK$2.50	43	2.4	6.7	14.9	May Sep	–
24.3	Joseph (Leo) £1	463	.....	4.6	11.12	Jan Sept	3060
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES — Contd

Components

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.06	Abbey Panels	453	....	1.0	15.1	Sept Feb	1501
17.3	Airflow Streamlines	283	-5.6	3.9	29.5	Jan July	1598
20.7	Bostrom 5p	188	....	4.3	9.4	May Nov	1438
539.7	Dowty 50p	220	-1.3	5.6	27.12	Mar Oct	2371
117.6	FR Group	159	-1.2	5.3	14.5	Dec July	2627
125.5	Kwik-Fit Hldgs. 10p	78	-3.7	4.1	30.4	Nov Jun	3113
1,097.6	Lucas Inds.	160	-7.0	5.2	9.4	Jun Jan	3292
1.80	Spice 5p	78	....	§	4.7	August	4075

Garages and Distributors

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.04	Alexanders 10p	23	-4.2	5.8	15.1	–	1562
52.8	Appleyard 10p	113	-0.9	9.2	12.3	Oct Apr	1629
2.38	Bletchley Motor 20p	88	....	12.9	14.5	Oct Jan	1427
16.2	Caffyns 50p	488	-0.2	3.1	25.6	Jan. July	2031
14.0	Central Motor Auctns.	105	....	4.1	12.2	Apr Oct	4930
9.73	Cook (D.C.) Hldgs.	41	2.5	§	30.1	Feb Aug	2231
75.9	Cowie (T.) 5p	60	....	9.3	12.3	Sep Apr	2260
12.2	Dagenham Motors 10p	73	....	9.6	30.4	Nov May	4954
12.0	Davenport Vernon 10p	91	....	5.1	25.6	Mar Jul	3912
5.58	Equity & Gen 5p	208	....	10.0	16.10	Dec Oct	2497
38.5	Evans Halshaw	187	....	8.0	26.3	Oct May	2506
31.5	Gates (F.G.)	100	-2.9	3.7	29.5	July	2661
9.60	Gowrings 10p	106	-5.4	7.1	9.4	Nov Jun	[illegible]

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
503.0	Hamilton Oil Corp.	£19	5.3	0.3	12.6	Ap Jy Oc Jan	2813
88.4	Hardy Oil & Gas 50p	177	....	–	–	–	4737
–	Hunt Pet Crpn.	123	-1.6	–	–	–	–
13.2	KCA Drilling 1p	16½	-2.9	–	9'85	–	3073
53.4	Kelt Energy 10p	18	....	–	4'86	–	2211
7.20	Do 6pc Cv Prf	24	4.3	34.8	26.2	Apr Oct	5069
10.7	Kingston Oil & Gas 50p	123	....	1.2	14.5	Jul Nov	3091
1,438.7	LASMO	403	-2.2	2.5	26.3	May Nov.	3189
10.3	Do "Ops" 10p.	145	....	19.9	26.3	May Oct.	3190

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

Miscellaneous

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
25.5	Anglesey Mining 9p	120	9.1	–	–	–	5186
0.76	Do. Warrants	38	35.7	–	–	–	5072
–	Anglo-Dominion	12	-2.0	–	–	–	–
104.7	Bond Intl. Gold	314	18.0	–	–	–	–

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ♦ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. £ Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	830xd	......
Finlay Pkg. 5p γ	53	-5.6
Holt (Jos) 25p γ	1310	......

IRISH

Cap. 8¾% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£95¼	0.4
Fin. 13% 97/02	£114	......
Arnotts	192	1.1
Carrol (P.J.) γ	125	4.2
Hall (R. & H.)	140	......
Halton Hldgs. γ	72	-10.0
IRG	290	-0.5
United Drug	160	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp.	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit. Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons.	42
Comm Union	42
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46½
GEC	18
Glaxo	68
Grand Met.	53
Guardian	28
GKN	33
Hanson	20
Hawker Sidd.	53
ICI	99
Ladbroke	27
Legal & Gen.	34
Lex Service	28
Lloyds Bank	25
Lucas Inds.	13
Marks & Spencer	19
Midland Bk.	24
Nat West Bk.	30
P & O Dfd.	52
Polly Peck	39
Racal Elect.	19
RHM	30
Rank Org Ord.	70
Reed Intnl.	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs.	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm.	5
Brit Petroleum	28
Burmah Oil	80
Conroy Petlm.	10
Gaelic Res.	3½
Premier	9
Shell	40
Tuskar Res.	5½
Ultramar	31

Mines

Lonrho	21
RTZ	80

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices July 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	19	AAR	.48	2.1	14	203	22⅝	22¼	22⅜	– ⅛
9¼	8	ACM n	1.01	12.		58	8⅞	8¾	8¾	– ⅛
11⅜	9⅞	ACMIn	1.26	12		574	10⅜	10¼	10⅜	+ ⅛
9¾	7¼	ACM M n	1.01	12.		275	8¾	8⅝	8¾	+ ⅛
12⅛	10	ACMMM				75	11⅛	10⅞	11⅛	+ ⅛
11½	9⅜	ACM Sc	.26	13.		607	10⅛	10	10	
9⅞	8⅛	ACMSp	1.01	12.		343	8⅜	8¼	8⅜	+ ⅛
24⅝	14⅞	AL Lab	.16	.7	21	48	23⅜	23	23⅜	+ ¼
6¾	2½	AM Intl				582	2½	2⅜	2½	
23⅛	10¼	AM In pf	2	16.		23	12⅜	12⅛	12¼	+ ⅛
107¼	52½	AMR			12	4969	61¼	60½	61⅜	+ ⅝
24⅛	22¼	ANR pf	2.12	8.9		2	23⅞	23⅞	23⅞	
4⅝	3	ARX				30	3½	3½	3½	
72¾	40½	ASA	3a	6.6		346	46¼	45⅝	45⅞	+ ⅛
42⅛	28⅞	AbtLab	s.84	2.0	21	4781	41¾	41	41¾	+ ½
15½	11¼	Abitibi g	.50			23	13⅝	13⅝	13⅝	
12⅛	7½	AcmeC	.40	5.2	9	88	8	7⅞	7⅞	+ ⅛
9⅞	7⅝	AcmeE	.32	3.8	10	103	8½	8⅜	8½	
41⅞	28¾	Acuson			25	664	u43	41½	42¾	+ 1
18½	13¾	AdaEx	2.08e	13.		110	16¼	16	16⅛	+ ⅛
15⅜	10	Adobe				394	11⅞	11	11⅛	– ⅛
20¼	18	Adob pf	1.84	9.4		30	19½	19½	19½	
11⅜	6⅞	AMD			20	1490	9⅝	9¼	9⅝	+ ⅛
33¼	28¾	AMD pf	3	9.7		21	31½	31	31	– ¼
10⅛	3¼	Advest	.16	3.8	53	12	4¼	4¼	4¼	
62½	46¼	AetnLf	2.76	5.3	9	1038	51¾	51⅛	51¾	+ ⅝
13⅞	9¾	AflPb	.24	2.3		476	10½	10⅜	10⅜	– ⅛
25	16⅛	Ahmans	.88	4.2	10	1015	21	20⅝	20⅞	+ ½
58	40	AirPrd	1.44	2.5	15	507	57½	56¾	57½	+ ⅞
[illegible]										

Continued on Page 33

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
[illegible]										
19¼	18⅛	WhGVt	1.85e		12.	17	18⅞	18¾	18¾	+ ⅛
67¾	38⅝	Wrigley	.88	1.6	20	138	56	54¾	55⅞	+ 1¼
14⅜	7⅛	WyleLb	.28	2.2	14	445	13⅛	13	13	− ⅛
27½	18	Wynns	.60	2.7	14	83	22½	22¼	22½	− ⅛
		− X−Y−Z −								
68½	45⅛	Xerox	3	6.5	7	1004	46⅛	d45⅞	46	+ ⅛
34	21¼	XTRA	.48a	2.1		122	23⅛	22⅞	23⅛	− ⅛
4⅛	1½	Zapata				84	1⅞	1⅝	1⅝	− ⅛
12	6¼	Zemex				1	8⅝	8⅝	8⅝	+ ⅛
7-16	⅛	Zemex rt				3	5-16	5-16	5-16	+ 1-32
19	7⅝	ZenithE				1152	8⅛	8	8	
27½	13⅛	ZenNtl	.88	5.8	9	42	15¼	15	15⅛	+ ⅛
9⅝	8⅝	Zenix	.90	10.		123	8⅞	8	8	
18⅜	12⅞	Zero s	.40	2.8	14	478	14¾	14⅛	14⅛	− ⅛
50¼	34⅝	Zurnin	.76	1.5	22	174	49¾	49⅛	49⅞	+ ⅛
12⅝	10⅝	Zweig	1.21e	11.		x420	11⅜	11⅛	11¼	+ ⅛
10	9	ZweigTl	.95	10.		x1095	9¼	9⅛	9⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices July 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PlyGem	.12	14	109	7⅜	7¼	7⅜	− ⅛
Presd B		169	1	6½	6½	6½	
Presd A	.10		65	6⅝	6¼	6⅝	+ ⅛
ProCCom			80	3⅝	3⅜	3⅝	
Prism		10	4	3⅛	3⅛	3⅛	− ⅛
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices July 6

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WmSon s		28	158	25¼	24¾	24¾ − ⅞
WilmTr	1.44	12	14	41	40½	41
WiserO	.40	24	5	18¼	18	18
Welohn	.28b	10	6	18	18	18
WlvExp			604	7⅛	7⅛	7⅛ + ⅛
Wolv wt			45	3¼	3⅛	3⅛
Worthg	.80	17	384	24	23⅝	23⅝ − ⅛
Wyman	.40		128	13¼	13½	13½
−X−Y−Z−						
XL Dta		8	760	15¼	14¾	14¾ − ⅛
XOMA			4432	21¾	21	21½ − ⅛
Xicor			495	3	2⅞	2 15-16 − 1-16
YanEnS	1.52a	11	48	19½	19	19 − ½
YelowF	.76	49	580	27½	26⅞	27½ + ⅛
YorkRs		23	388	15⅜	14⅞	15⅜ + ⅛
ZionUt	1.44	10	9	29	28¾	29 + 1

Continued on

The Business Column

Hardest test yet for middle managers

BRITISH manufacturing companies have had such a buoyant time in the past few years that a cadre of middle managers who came into positions of responsibility in the mid 1980s have experienced a hostile business climate.

They were promoted after the recession of the early 1980s had passed. They did not have to make the difficult decisions to close plants or make large scale redundancies. Their main task has been to introduce incremental changes, to improve quality and productivity, during a period of growth in output.

These managers are facing their biggest test yet. They are having to learn how to adjust to a different set of priorities. Having been used to projecting strong sales growth, which could absorb rising costs, they are having to rein in costs. As industry adjusts to a period of slower growth, much will hinge on how middle managers adjust their expectations of what they can achieve.

Middle managers have taken on a more important role within many companies, as power has been devolved to managers to create more flexible, dynamic businesses. Industrial relations has been decentralised. Supervisors are being encouraged to take on a more managerial role within factories. So the performance of middle managers will probably be more critical than it was a decade ago, in determining how companies emerge from a period of slower growth.

Labour victory

But according to a report published this week an even more profound test of companies' dependence upon the quality of their middle management may be around the corner. The report, by the Coba consultancy group, examined the likely consequences for business of the election of a Labour government. The report, based on interviews with more than 100 chief executives and company chairmen, found that managerial motivation would be one of the main casualities of a Labour election win.

The survey found that most executives thought Labour's proposals were not clear enough to make a firm judgement about their effects. However they were clear that there would be a distinct change in business ethos.

The traditional fear has been that the election of a Labour government would change the business climate mainly by strengthening the trade unions, and shifting the balance of power away from managers. Significantly, while most City executives believed the unions would regain much of their old power, most industrialists doubted whether there would be a return to the conflict of the 1970s. The industrialists based this assessment not on Labour's plans for employment legislation but mainly upon the way unions have become less confrontational in the 1980s.

Motivating staff

However, even if power does not shift back towards the unions, management may nevertheless lose the initiative, according to the report. Entrepreneurial managers have been vaunted in the past decade. They would lose much of that special status under a Labour administration.

Most companies said the loss of managerial motivation would be more important that the rise of shop stewards. Some said they expected it would become more difficult to recruit and retain senior managers, in the face of higher taxes and a less clement political climate. Equally important would be the effects on more junior managers.

There would be a general perception that opportunities would be narrowed by regulations and risk taking would lose its rewards. Managers would become more cautious. The message of this report is that whatever strategies companies pursue they will be highly dependent upon the quality of their middle managers. So rather than planning in detail how to respond to a future Labour government, companies could do a lot worse than ensure they have committed, loyal and dynamic middle managers able to cope with the uncertainty that would follow a Labour victory at the next election.

Charles Leadbeater

MONDAY INTERVIEW

Tough act of an EC deal maker

Sir Leon Brittan, European Competition Commissioner, speaks to **Lucy Kellaway**

Sir Leon Brittan loves his job. In his office on the 13th floor of the Berlaymont in Brussels he is the champion of fair play in the European market: breaking up an air cartel here, telling Rover or Renault to repay illegal state aid there.

Out and about, he spreads the word on his special areas of responsibility – competition and financial services – and on any new European theme that occurs to him.

Early last November he spoke out clearly for German Unity when others dithered (as he will happily remind you). More recently he been peddling the idea of a European security community, one that he notes with satisfaction has been taken up by Lord Carrington and Henry Kissinger.

The briefest meeting with Sir Leon is enough to reveal his considerable strengths and transparent weaknesses. He is clever, decisive, in full command of the facts, and able to wrong-foot his opponent without even trying. This knack does not always go down well; indeed some of his colleagues take it as intellectual arrogance.

These attributes are a good mixture for the job, which by its very nature involves taking difficult decisions. Renault, Rover, Air France, British Airways/Sabena, and now Ruhrgas: the flow is getting faster and the decisions increasingly difficult to get through the Commission.

Especially on state aids, EC policy has become more and more fraught. As Sir Leon explains: "When the other protectionist barriers fall away, you are left with state aids as one of the few things that countries can resort to as the going gets tough." As 1992 gets closer, the stakes get higher, countries – usually with the tacit support of their respective Commissioners – become more and more determined to protect their position.

When it comes to these hard cases Sir Leon has shown himself more of a deal maker than his predecessor, the more head-strong Mr Peter Sutherland – sometimes to the frustration of the backroom boys in the competition department, who may have wished for rather tougher decisions. In the case of Renault, for example, it seemed Sir Leon finally accepted the maximum the French Government would bear rather than the full repayment suggested by his team's analysis of the facts.

Yet Sir Leon rejects any suggestion that these judgments are largely subjective. "There are elements of judgment and interpretation involved, but the decisions are not subjective in the sense that we sit down and say, how much can we sock them for?"

He also denies that the Commission is ever tempted to bend to pressure from member states to handing out verdicts perceived as even handed. "Lawyers – and for better or for worse I am trained as one – are quite used to taking successive questions on their own merits and not in relation to others."

Apparently unbothered by such political pressure, Sir Leon cannot conceive of a body better suited than the Commission to deal both with state aid cases, and to police the merger control regulation that comes into force in September. In his best Queen's Counsel legal style, he neatly disposes of the idea of setting up a new independent agency to handle such cases.

PERSONAL FILE

- **1939** Born. Educated Trinity College, Cambridge
- **1962** Called to the Bar
- **1974-83** MP for Cleveland and Whitby
- **1978** Appointed Queen's Counsel
- **1983-88** MP for Richmond, Yorkshire
- **1979-81** Minister of State, Home Office
- **1981-83** Chief Secretary of the Treasury
- **1983-85** Secretary of State for Home Dept
- **1985-86** Secretary of State for Trade and Industry
- **1989** Vice President, EC Commission

"Who would this independent body be? It must be international, and appointed for the task. You would want to appoint people from all over the Community, to make them promise not to obey their national governments, and to give them security of tenure, so that they could not be kicked out. That is exactly what the Commission is."

Sir Leon not only enjoys his job, but gives every sign of doing it well. Starting from a position on the economic right of the left of centre Commission, he nevertheless has scored far more wins than losses.

He has little time for the traditional form of communication between Commissioners through their private offices or cabinets, and prefers direct discussion to the proxy warfare with his 16 fellow Commissioners. "I cut through the Gordian knot, and go round talking to my colleagues – a terrible thing to do, I know. I may go and see 10 or 11 Commissioners on any issue – that is why I have been able to get a consensus behind what I am tying to do."

The competition job throws up new challenges all the time, the latest being the alarming sight of East Germany being swallowed by big West German firms – a subject to which Sir Leon is warming to with a mixture of determination, toughmindedness and self-righteousness.

There are two special problems with East Germany, he says: one is that the legal basis for Commission interference is hazy until East Germany is formally part of the Community; the second that the choice may be between allowing a powerful West German company to buy an East German company, or letting that company go bust.

On both problems Sir Leon knows his mind: the dependence of East Germany on the West makes the Commission's involvement legitimate. As far as the other problem goes, he insists that East German cases will be examined just like any others: "You have got to take a long term view, and in the long term replacing public monopolies with private ones is not what the revolution in East Germany is all about," he says.

'I cut through the Gordian knot, and go round talking to colleagues'

Moreover he argues that to act tough is in the interests of all. "Our involvement in East Germany raises a much broader political point," he says. "It is one of the most important factors in reassuring people who are anxious about German re-unification that the Commission is there as a guardian of the interests of the Community."

Sir Leon – a convinced free-trader – claims also to have done his bit towards killing the notion of Fortress Europe. Last year he successfully persuaded both the Commission and member states to drop the protectionist notion that the EC should close its doors to banks from all third countries that did not give an equally warm welcome to EC banks on their own home ground. The measure may sound technical but it marked the turning point, and is being taken as the pattern for openness in other sectors. "This made a major contribution to changing the image of the Community as a fortress."

His very sucess has cost him a few friends. "He is certainly not the most popular boy in the class, the others do not like the way he has to shine all the time," says one Commission official. In meetings, he tends to cross question fellow Commissioners, a trick that does not go down well, leaving them uncomfortably aware of whose intellect is superior.

His image on television and at press conferences is no better than when he was UK Home Secretary, and even his staff – who have nothing but praise for him – cringe as Sir Leon sits there passive and smug, commanding both the moral and the intellectual high ground.

Still he is respected and even feared by many of his colleagues – widely seen as a more divided and medicore bunch than the previous Commission – and is alone among them in standing up to Mr Jacques Delors, the Commission President. Despite a couple of firey occasions on which Mr Delors stormed out of a Commission meeting when Sir Leon refused to let him snatch the Air France dossier, the two generally work well together and respect each other.

Moreover Sir Leon is alone among the Commissioners in taking seriously what is meant to be a collegiate approach to their common dossiers. He makes some four speeches a week – somewhat to the dismay of of his increasingly overworked staff – but in most of them trying to take the subject further.

Regarded by some as Margaret Thatcher's puppet, and by others as a head-banging neo-liberal, he did not have an easy start. But in his year and a half in the job he has dispelled such fears. Indeed he has proved himself independent of Mrs Thatcher by arguing strongly for sterling to join the EMS, and for permanently fixed exchange rates. More extreme, he has argued for a common European foreign policy and a common security policy, a prospect which alarms the UK.

Yet far from burning his bridges over the Channel, Sir Leon, like the skilful politician that he is, has steadily been building them. He not only makes sure that he keeps Parliament and the Government well informed of what the Commission is up to – in marked comparison to his predecessor Lord Cockfield – but is also happy to keep Mr Delors in touch with what the British Government is thinking. "I am frequently consulted by Jacques Delors about what they are doing in Britain. It would be bizarre if I could not answer."

This dual aspect is part of the very job of being a Commissioner, he says, to explain about the Community to the folks back home, and to sell it to them. "I think it is important that whoever holds my job should play a part in British public life, since the EC itself is part of British public life."

Others would explain his strong links with the UK more cynically in terms of his future ambitions in British politics. Many of his views – such as a committee of national parliaments to solve the democratic deficit, and the idea of having monetary union while keeping the pound note – are a neat half-way mark between between Mrs Thatcher's sceptical attitude towards Europe and some of the more federalist notions coming out of Brussels. He denies any deliberate pattern: "I only say what I think and believe: if it helps things along in Britain, so much the better."

Indeed it would be quite false to present Sir Leon as marking time before he goes home. There is no reason to doubt him when he says he has no idea of what the next step will be. He is a good politician, a better Commissioner and is only 50 years old. It seems only too likely that another interesting job will come along, and in the meantime he has two and a half years left to police competition, to transform the European markets in investment services, to see in the new mergers regulation and to go on giving speeches.

The Government moves the goalposts

JUSTINIAN

The judgment of the Court of Appeal last week in the poll tax case, in which a collection of Labour-controlled local authorities have challenged the Secretary of State for the Environment's capping of their community charges, focussed on the essence of judicial review. It sought to ensure that the Minister had exercised his powers with procedural regularity and was only marginally concerned with the substance of his decision. Did the Minister, in exercising his powers under the Local Government Finance Act 1988, act *fairly*?

Under the previous legislation dealing with public finance administration, the Secretary of State had adopted a clear formula for rate capping, based entirely on percentage increase above grant-related expenditure assessment (GREA) and percentage increase over a local authority's budget in the previous year. Furthermore, rate capping took effect in the next, and not the current, financial year, giving rating authorities ample time to adjust their budgets.

By contrast, the poll tax legislation does not on the face of it acknowledge any legitimate claim of local authorities that the Secretary of State should give them prior warning of the method he proposes to adopt for charge capping.

The formula adopted by the Secretary of State for designating a local authority adjudged to be spending too much is based on notional expenditure. The figures for Standard Spending Assessment (SSA), which is a non-statutory method separately devised by the Department of the Environment to determine how to distribute local revenue support grant among the various local authorities, were available to the Secretary of State at the beginning of 1990.

Information concerning *actual* budgeted expenditure by all (except one) local authorities was with the Minister by mid-March. But the notification by the Minister of his designation of the local authorities to be charge-capped was delayed until the beginning of April. By that time, it was impossible for any local authority to plan its expenditure so as to avoid restriction on its community charge, simply because no local authority could know in advance what rules or principles were to be applied by the Minister. Mr Christopher Patten was well aware of the consequences late service of his notice would have on local government administration. He said publicly that he expected "a parade of bleeding stumps" from some local authorities.

The Court of Appeal, when instructing the rest of us on the duty of the courts to supervise executive power but to refrain from questioning the propriety of legislative powers handed to the executive, compared judicial review to the role of the soccer referee. The referee does not dictate the game or the rules under which it is to be played. He merely blows the whistle when a foul is committed and awards a free kick or a penalty.

If Parliament declined specifically to exclude a procedure which may work unfairly, ought not the courts to make up for the deficiency?

Both sides, however, when they take to the field of play, know precisely what those rules are. They do not expect the goalposts to be moved in the middle of the game.

The analogy is inapt. The Secretary of State did not inform local authorities as to the principle he was proposing to adopt before designating them as excessive spenders. No local authority could be certain as to the size of the field on which they were going to be playing, the shape of the ball, or where the goalposts would be placed.

It is true that the legislation did not require the Minister to engage in prior consultation with local authorities, but the fact that he followed the due procedure does not mean that he acted fairly. Judges have said time and again that courts will not only require the procedure prescribed by the statute to be followed, but will readily import additional safeguards to ensure complete fairness.

The Court of Appeal observed that the 1988 Act did impose a positive duty on the Minister to tell authorities the proposed principles he was adopting and provide for a reasoned response by authorities in a specified time before the Minister made his order of charge capping.

Furthermore, once the Minister had decided to designate an authority, the law required him to notify that authority not only of that decision but of the principles by which he had reached it.

The Court of Appeal concluded, therefore, that Parliament had decreed a detailed scheme for consultation and the requirement to notify local authorities of the principles, but only after designation. By deduction, the courts thought that Parliament must have intended to exclude any procedural fairness that might require consultation or the supplying of information before designation.

If the court thought that Parliament intended to create a procedure that had even unintended consequences of unfairness, would they blow the whistle on the contest between Minister and local authority? If Parliament declined specifically to exclude a procedure which may work unfairly, ought not the courts to make up for the deficiency? Otherwise, the courts will be attributing to the supremacy of Parliament an effect that may be unjust.

Louis Blom-Cooper QC

■ Lobbying plays a big part in getting things done in Japan, and foreign companies can do it, too.
See page 6.

FINANCIAL TIMES SURVEY

JAPAN

■ Independent-minded prince shakes up the tradition-bound Imperial Family.
See page 12.

SECTION III

Monday, July 9, 1990

As the Japanese economic juggernaut rolls on, Japanese leaders themselves begin to wonder if the world can or will tolerate its advance much longer. **Ian Rodger** reports on Japan's search for a role for itself that is acceptable at home and to other countries.

Still in search of a global role

JAPAN'S uncanny ability to surprise both itself and the world has once again come to the fore this year.

Its resilient economy has shrugged off a deep stock market slump in the first quarter and appears headed for another year of near five per cent real growth.

Also, its political leaders have proved to be much more popular and effective than anyone expected. Mr Toshiki Kaifu, the obscure backbencher pushed into the prime minister's chair last summer when scandals threatened to overwhelm the ruling Liberal Democratic Party (LDP), has risen to a number of tough foreign and domestic policy challenges, rebuffing powerful vested interest groups at home and assuming greater responsibilities in the world.

In the past few months, the Kaifu Government has sponsored talks aimed at bringing an end to the fighting in Cambodia, has apologised frankly for atrocities committed by Japan during its occupation of Korea and has taken on a bigger role in the International Monetary Fund.

On the trade front, it has removed import barriers in a number of sensitive domestic markets and is cracking down on the cartels, bid-rigging and other anti-competitive practices that so irritate and baffle foreigners trying to do business in Japan.

The result today is an unusual mood of warmth and well being in the country, undoubtedly enhanced by the colourful wedding late last month of Prince Aya to his college sweetheart and the prospect of even more pomp and ceremony at the enthronement of the new emperor later in the year.

However, Japan's more thoughtful leaders realise that the country is still a long way from finding an accepted role for itself in the world.

The Ministry of International Trade and Industry, in its just published decennial examination of future economic trends, observed that "the international community's reaction to the rapid growth and increasing world influence of the Japanese economy has been growing anxiety, and even fear of Japan's economic might.

"With the nations of the world becoming more critical of Japan, the 1990s will be a crucial period in the management of its international relations, a period when extraordinary care, special efforts and caution must characterise Japan's conduct."

Writing in a similar vein, Mr Takakazu Kuriyama, deputy minister of foreign affairs, noted in a recent article that the gross national products of the US, Western Europe and Japan were now roughly in the ratio of 5:5:3, co-incidentally the same as the ratio of shipping tonnage agreed among the US, Britain and Japan under the Washington Naval Treaty in 1922.

"As one of the world's three major naval powers, Japan was then in a position to share responsibility for the maintenance of international peace together with the US and Britain," Mr Kuriyama recalled. "Japan, however, became over-confident of its military strength and, instead of defending the international order, chose the path of seeking to change the order by force. History shows that this choice had tremendous tragic consequences for the entire world."

Today, he argues, Japan is once again in a position to share responsibility for the creation and maintenance of a new international order. But he and many others wonder if it will embrace that responsibility or whether it will become over-confident again and selfishly try to break out of the 5:5:3 GNP structure.

Certainly, the Japanese economy shows every sign of continuing to grow faster than that of most other advanced countries. As Mr James Abegglan, the doyen of Japanese industry watchers in Tokyo, pointed out recently, aggregate corporate capital spending in Japan last year surpassed that in the US for the first time, and and is likely to continue higher – "that means that each Japanese worker is being given two times the ammunition that an American worker is getting," Mr Abegglan said with an unfortunate selection of imagery.

Japan's awesome technological push also shows no signs of flagging; the country is increasingly not only an innovator itself but also the incubator of choice for others' innovations. Of course, the continuation of current trends is not inevitable. For example, the country faces an acute structural labour shortage and may simply be unable to find the manpower

Also, Japan has been making considerable efforts to harmonise its way of life with that of other countries. Recent commitments to simplify distribution systems and step up public works spending are good examples.

A particularly brutal test of its willingness to subordinate the claims of powerful domestic vested interests to its international responsibilities appears to be just around the corner. Within the next few months, the pressure on the country to open its now totally closed rice market will become intense as the Uruguay Round of multilateral trade negotiations approaches its December conclusion.

The frenetic pace of Japan's big cities, such as Sapporo (above) is as evident at night as in daytime.

In Japan, rice remains an extremely sensitive issue. Although the proportion of the population involved in rice farming has dropped to insignificant levels, and although consumption of rice has been falling for years, the Japanese people retain a nostalgia for the staple crop that has, at various times in the past, saved them from starvation.

Rice also has a powerful economic and political supporter in the giant Nokyo agricultural co-operative movement. Nokyo does not hesitate to use its money and influence over farmers to put pressure on politicians,and two years ago, the national Diet (parliament) unanimously passed resolutions banning indefinitely the import of a single grain of rice.

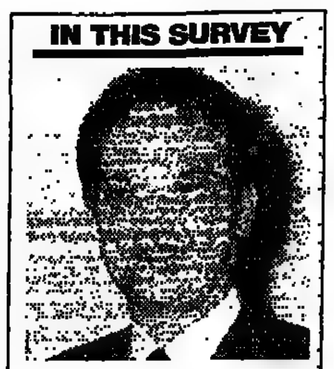
Meanwhile, agricultural protectionism is proving to be the toughest issue on the agenda of the Uruguay Round. Although the main fight is between the US and the European Community, it is being suggested that a magnanimous and exemplary concession on rice by Japan would shame the others into following. And Japan, it is argued, as a main beneficiary of the postwar multilateral trading system, is the country that should now make such a generous gesture to preserve the system.

People such as Mr Kuriyama and probably Mr Kaifu himself would probably be delighted to do so, but radical decisions are rare in Japanese politics and are taken only after the public has been prepared and a consensus formed. So far, there has been no preparation, and even if there had been, the possibility of a consensus being formed in favour of even a slight liberalisation of rice seems remote.

History suggests that would-be turning points or crossroads in Japan's development never turn out to be as decisive as commentators have predicted. Whatever happens, Japan will almost certainly continue on the path it has been following for the past few years, liberalising its institutions and habits of mind as quickly as it can.

Whether that proves to be fast enough to keep fears and anxieties overseas from reaching dangerous levels will undoubtedly be one of the main dramas of the 1990s.

IN THIS SURVEY



Mr Toshiki Kaifu, Japan's Prime Minister: enjoying high popularity and a clean political reputation

Shoppers throng central Tokyo

☐ *Pictures in this survey are by Glyn Genin and Ashley Ashwood.*
☐ *Editorial production by Michael Wiltshire.*

Deadlock is the order of the day, reports **Stefan Wagstyl**

Superficial calm on the political front

Prime Minister Toshiki Kaifu: on a high wave of popularity.

AFTER the storms of last summer, a superficial calm has returned to Japanese politics. Mr Toshiki Kaifu, a virtual unknown when he came to office last summer, has turned into the most popular Prime Minister since opinion polls were introduced in the early 1960s.

The ruling Liberal Democratic Party, which suffered an unprecedented defeat in last year's elections to the Diet's upper house, has re-established its credibility with a convincing victory in February's general election to the lower house.

The Recruit corruption scandal, which toppled Mr Noboru Takeshita, the former prime minister, is now little more than a memory. Even opposition to a new consumption tax, the single biggest cause of the LDP's misfortunes last year, is fading.

On the international front, the much-feared stand-off in relations across the Pacific has failed to materialise. The Government has reached agreement with the US in the Structural Impediments Initiative talks, the most far-reaching economic negotiations ever held between the two countries. Mr Kaifu has been able to take much of the credit, not least because of the praise lavished on him by President Bush. However, lurking beneath the smooth surface are difficult challenges for the leaders of the LDP.

Politics has changed greatly in the last two years and is likely to change further in the next year or two. The immediate problem is coping with a Diet where, for the first time since the war, the opposition parties control the upper house. While the lower house has the power to force through necessary Budget bills and some kinds of emergency bills, most legislation can be passed only with the consent of the upper house.

So deadlock is the order of the day, notably over the future of the consumption tax which the LDP wants to reform and the opposition parties wish to abolish. The next upper house election is not until 1992. But the LDP is unlikely to regain control then since only half the seats will be contested. The party would have to do well in 1992 and again in the following poll in 1995 to re-establish its monopoly on Parliamentary power.

> **Policies, politics and reform**
>
> ■ **Prime Minister Toshiki Kaifu has proved surprisingly effective at pushing through reforms in Japan's trade practices, and at putting some flesh on the bones of its "contributing to the world" foreign policy.**
>
> ■ **Now Mr Clean, as he would like to be known, will try his luck at the much tougher game of reforming the country's unusual electoral structure and corrupt politics.**

The realistic alternative is trying to persuade the centrist Komeito, the Clean Government Party, to leave the opposition coalition dominated by the Japan Socialist Party. However, the key issue now before the Diet is the consumption which the LDP wants to reform and the opposition parties insist should be abolished.

Komeito has been one of the tax's strongest opponents, so it would be difficult to the abandon the socialists at this point. Moreover, an even more contentious issue is looming large on the horizon – political reform. The extent of corruption in government revealed in the Recruit bribery affair created strong public criticism of political corruption.

Mr Kaifu, who was appointed because of his clean political reputation, has staked his future on reform. He has even set a deadline – November, the 100th anniversary of the Diet. The reformers' chief target is a system of multimember constituencies in which ruling party candidates are pitted against each other.

These contests encourage campaigns fought on personal influence, which require large amounts of money – an average of Y100m per candidate according to one estimate. Mr Kaifu would replace this system with single-seat constituencies, plus a number of multi-seat regional constituences where members would be elected by proportional representation to prevent small parties from being wiped out.

In addition, Mr Kaifu wants to redraw the electoral map to reduce the disparity in votes between the countryside and the cities and to tighten controls on political fund-raising. According to a poll in *Nihon Keizai Shimbun*, the business daily, some 60 per cent of Japanese support reform.

But theirs are not the voices which count. The issue will be decided by MPs, whose first priority will be to study how reform will affect their own electoral chances. This consideration pits senior LDP leaders, who would be in a position to get first pick of the new constituences, against their younger party colleagues, some of whom could be forced out out their seats.

The issue is so important that it might easily stop electoral reform dead in its tracks. However, some analysts believe the LDP leaders will risk this conflict in order to increase their overall control of the party. Single-member constituencies plus tighter rules on fund-raising will put power into the hands of LDP headquarters at the expense of individual members.

Mr Takashi Inoguchi, professor at Tokyo University, says this centralisation is already happening. A strong commitment to reform would also raise the party's standing in the eyes of urban voters, who are most critical of political corruption. This point is not lost on the Japan Socialist Party, which is also edging towards supporting reform.

The small opposition parties are less enthusiastic since they would suffer the most from the introduction of single-seat constituencies. The international agenda is not without risks.

On the day after the SII settlement was announced, a senior LDP leader was asked what worried him most – "Japan-US relations," he replied, wearily.

The next issue could easily be the sacred question of rice. The US wants to push Japan into abandoning its ban on rice imports and replacing it with tariffs, in order to boost progress in slow-moving trade talks in the Uruguay Round of the General Agreement on Tariffs and Trade.

The need to think about policy is new to some Japanese politicians; however, all are in their element thinking about people. The personnel question at the forefront of MPs' minds is Mr Kaifu's future. The stopgap prime minister is looking more permanent by the day. Some LDP members even liken him to Mr Yasuhiro Nakasone, the former prime minister, who was also condemned as a political weakling when he was appointed but nevertheless stayed in office five years.

Both men are from outside the largest of the LDP's constituent factions, which generally has the biggest influence over the appointment of prime ministers. The comparison is far-fetched – Mr Nakasone was the leader of a medium-sized faction which he himself had created, a man of considerable weight inside the LDP, while Mr Kaifu is a lieutenant in a small faction headed by Mr Toshio Komoto.

Mr Kaifu has been able to stay in office for two main reasons. First, his personal popularity benefits the LDP as a whole, enabling it to get over the opprobrium generated by the Recruit affair. Any LDP leader who now suggested getting rid of Mr Kaifu would risk alienating public opinion.

Secondly, forcing Mr Kaifu's departure would plunge the LDP into a divisive succession row. Mr Shintaro Abe, a former foreign minister, has been advancing his cause, so has Mr Kiichi Miyazawa, a former finance minister. Both are faction leaders. But Mr Abe is seriously ill and Mr Miyazawa is tarred with the brush of the Recruit affair.

The succession depends ultimately on the will of Mr Noboru Takeshita, the former prime minister, and Mr Shin Kanemaru, a former deputy minister, who are related by marriage and who together control the LDP's largest faction. It suits these two men to have in office a prime minister with little personal power as they have more influence over him than they would over Mr Abe or Mr Miyazawa.

New momentum behind reform movement

AFTER years of scandals, influence-peddling and plain vote-rigging, 1990 is to be the year of political reform in Japan.

Mr Toshiki Kaifu, the Prime Minister, has personally committed himself to a far-reaching clean-up and reorganisation of the Japanese electoral system. And he has even set a deadline: next November when the Diet celebrates its 100th anniversary.

This move to cleanse Japanese politics is not the first: indeed it is the third since the last war. Because the two previous ones failed to achieve very much, there is scepticism about Mr Kaifu's chances of making any more progress than his ill-fated predecessor, Mr Noboru Takeshita, who pledged "to make every effort in a humble manner, to wipe out distrust in politicians."

Yet there is also, in Tokyo, a clear sense of momentum behind the political reform movement which has led many observers to think that something may actually happen.

Partly, this reflects the strong public desire to root out corrupt practices after last year's Recruit bribery affair. But it also reflects more hard-nosed calculations by the country's two largest parties, the ruling Liberal Democratic Party (LDP) and the opposition Japan Socialist Party (JSP) that reform would give them a chance to win more seats.

The reform proposals were put forward by the Election System Commission, which advises the Prime Minister. The main proposals are:

■ To redesign the constituencies: at the moment, Japan runs a complicated system in which each constituency has several members. This often pits members from the same party against each other, encouraging factionalism and corruption, and splitting party votes.

The proposal is that each constituency should return only one member based on a first-past-the-post vote. But there would also be regional constituencies where candidates would be returned on a proportional representation basis. This would ensure a place for the smaller parties.

■ **Reduction of vote disparity:** it takes more than three times as many votes in some constituencies to return a member as it does in others – a situation reminiscent of England's "rotten boroughs" in the last century. Redrawing the constituency map would reduce the maximum disparity to a multiple of two.

■ **Simplifying political contribution procedures:** individual parties could only have two fund-raising organisations each, and corporate contributions would have to be made to parties rather than individual candidates. Contribution disclosure rules would also be tightened up. Combined with the new constituency procedures, this should reduce the immense financial cost of a political career which is the main cause of corruption.

The last of these has stirred the strongest public interest because of the freshness of the bribery scandals in everyone's minds. Mr Kaifu, himself untainted by scandal, is also well placed to lead a credible drive to clean up Japanese politics. And as the "cleaner politics" bandwagon picks up speed, more and more politicians are jumping on.

Yet the actual progress of reform is much more likely to be dictated by proposals affecting the shape of constituencies because these will determine where seats are won or lost. The actual mathematics of constituency reform are so complicated that it is virtually impossible to predict how the proposed changes would affect the composition of the Diet. But it does appear that they will favour the large parties over the small.

The Japan Communist Party has denounced reform as a plot to put three-quarters of all Diet seats under LDP control. Prof. Takashi Inoguchi of Tokyo University, who is a close observer of the Japanese political scene, believes the reforms will go through because of the pressure for cleaner politics, and the country's yearning for less political volatility.

One effect of reform would be to centralise control of the political parties because fund-raising would be managed from headquarters, and candidate lists for proportional representation would be drawn up by the party leadership.

This could trigger resistance to reform by rank and file Diet members who see their personal fiefdoms being cut back. But at the moment, the commitment of the party leaderships to reform would override this.

Assuming the whole reform-package is adopted, the consequences for Japanese politics would be considerable. The Diet could end up with a more balanced two-party composition with a clearer polarisation between the LDP and the JSP.

The redefinition of the constituencies would also shift the balance from rural to urban areas. This could have a significant influence on policy by weakening the traditionally powerful agricultural lobby, and strengthening the vote of the city dweller. Some people have read profound implications for Japan's external trade policy into this.

If protectionist farmers have less of a say in what goes on, and the consumerist urbanites get more, could Japan become a more import-oriented country? Will this also hasten through controversial reforms of the retail distribution system?

In a recent study of the economic impact of reform, Salomon Brothers wrote: "The likely outcome of such a major swing of Diet representation would be a faster adoption of structural reform policies.

Already, the government has moved toward giving more emphasis to the consumer in policy decisions. A shift in the electoral system would add further stimulus to that change of policy direction."

David Lascelles

Foreign policy initiatives

A rapid response to new challenges

Mr Takakazu Kuriyama, right, Japan's Deputy Minister of Foreign Affairs, with Sir Geoffrey Howe, Britain's Deputy Prime Minister. For historical reasons, Japan would do well to remain "a leading country with an unassuming posture," suggests Mr Kuriyama.

UNTIL not very long ago, Japanese foreign policy consisted almost entirely of strategies and measures to promote the country's economic development.

The Government had little interest in North-South or East-West issues or even in political problems in the East Asian region. Japanese representatives at international institutions were notorious for being few in number and keeping their heads down.

But when an issue emerged that threatened the progress of Japanese industry – the first oil crisis in 1973 was the most spectacular example – Japanese diplomats sprang into action and worked with extraordinary effectiveness for their country's interest.

That sort of selfish foreign policy was possible as long as Japan was an economically small country, with little influence on world events.

However, in the past few years, particularly since the revaluation of the yen against the dollar in 1986, Japan's position in the world has changed radically. It now accounts for more than a tenth of world gross national product and is under increasing pressure to take on responsibilities in the world commensurate with that size.

As in so many other areas, the Japanese have responded with remarkable speed to this new challenge. So much so that the country was accused a few months ago by Mr Chalmers Johnson, a US Japan scholar, of having three foreign policies these days.

According to Mr Johnson, the Foreign Ministry is trying to promote political and security co-operation with the US to keep Japan firmly in the Western camp, the Ministry of International Trade and Industry (MITI) is trying to develop an Asian regional economic community out of fear that Japan will be excluded from the North American and European trading blocs now being formed, and the Ministry of Finance is trying to promote total financial and economic interdependence between Japan and the US to try and protect the enormous investments Japanese financial and industrial companies have already made in the US.

These initiatives are not necessarily incompatible with each other and there is nothing particularly startling or hypocritical about a country pursuing more than one strategy at a time. But their existence does emphasise the change that has taken place and gives some clues to the more complex forces and interests that now have to be considered in the formation and implementation of Japanese foreign policies.

It should be said that in setting out to assert a foreign policy, the Japanese government faces some severe limitations. The post-war constitution prohibits the threat or use of force by Japan in trying to settle problems with foreign countries.

Although the constitution was imposed on the Japanese by the post war occupation government, its pacifist base still has overwhelming support among the Japanese people, and any deviation from it would not be tolerated.

The constitution also prohibits the country from having military forces, although the government has got around that by establishing "self-defence" forces which now figure among the largest and best equipped military establishments in the world.

A related basic limitation arising from the Second World War is that Japan's neighbours remain apprehensive about a resurgence of Japanese hegemony in the east Asian region. This fear tends to grow as Japan's economic strength and presence in the region grows and regardless of Japan's peace constitution.

Recently, it has been agitated by the loosening of East-West tensions, which has raised the prospect of a reduction in the comforting US military presence in the Asia Pacific region. Consequently, despite the reduction of East-West tension, Japan will probably continue to find it in its interest to maintain its security treaty with the US and support a large-scale US security presence in the region and, in particular, in Japan itself. The US in return will continue to demand that Japan make large contributions of other kinds to help world political and economic progress.

Given these limitations, Japanese diplomats have been fairly successful in finding opportunities for action. In May, 1988, the then-prime minister, Noboru Takeshita, announced a policy framework which has since come to be known as the three pillars. Japan would contribute to peacekeeping efforts around the world, expand its aid to poor countries and would attempt to broaden its cultural exchanges with other countries.

On aid, progress has been rapid and massive. However, there is little evidence of progress on the cultural front, and the peacekeeping pillar wobbles awkwardly. A year before Mr Takeshita's speech, the country found itself on the spot when asked to support a multinational effort to maintain the safety of shipping in the war-torn Persian Gulf.

Japan, as the largest single consumer of Gulf Oil, had little choice but to participate. But if it were to send troops and military equipment, as some demanded, would that amount to an unconstitutional act?

In the end, it provided substantial funds to set up a precise guidance system for ships in the Gulf and, taking advantage of its good contacts with both Iran and Iraq, launched an ultimately unsuccessful diplomatic initiative to stop the fighting. Japan escaped without much immediate criticism from that affair, but it still wrankles in some quarters.

Ian Rodger

Overseas aid from Japan

World's largest donor

IN LINE with its economic superpower status, Japan tops the league of overseas aid donors in terms of value, but in terms of quality, Japanese aid still draws widespread criticism for its inefficiencies and questionable objectives.

As expected, Japan surpassed the US to become the world's largest aid donor last year, with ODA disbursements totalling $8.95bn, the Development Assistance Committee (DAC) reports.

But in many respects, Japan's newly-won status as the leading provider of aid merely serves to highlight the poor quality of its aid.

For one thing, Japan is still at the bottom of the scale when it comes to the proportion of its aid that is in the form of grants, coming in at 18th, or last, among countries that belong to the DAC in 1988.

About 60 per cent of Japanese aid is in the form of yen loans, with the remaining 40 per cent divided roughly equally between grants and technical assistance.

Another major criticism concerning Japanese ODA has been that massive funds are wasted on facilities or equipment that are left idle because of a lack of personnel with the necessary expertise to use them.

Government officials acknowledge that comprehensive evaluations of projects are crucial in order to prevent such inefficiencies, but the official stance is that Japan can only give what it is asked for and that final responsibility for projects lies with the recipient nation.

"Developing countries tend to ask for the most sophisticated equipment," says an official at the Ministry of Foreign Affairs' Aid Policy Division. And it is up to the recipient nation to ensure that these facilities are used by building the necessary infrastructure or training the necessary personnel.

Another growing concern is the environmental destruction that careless evaluation of ODA projects can bring about. "Massive funds move to create havoc," says Mr Yoshinori Murai, a professor of political

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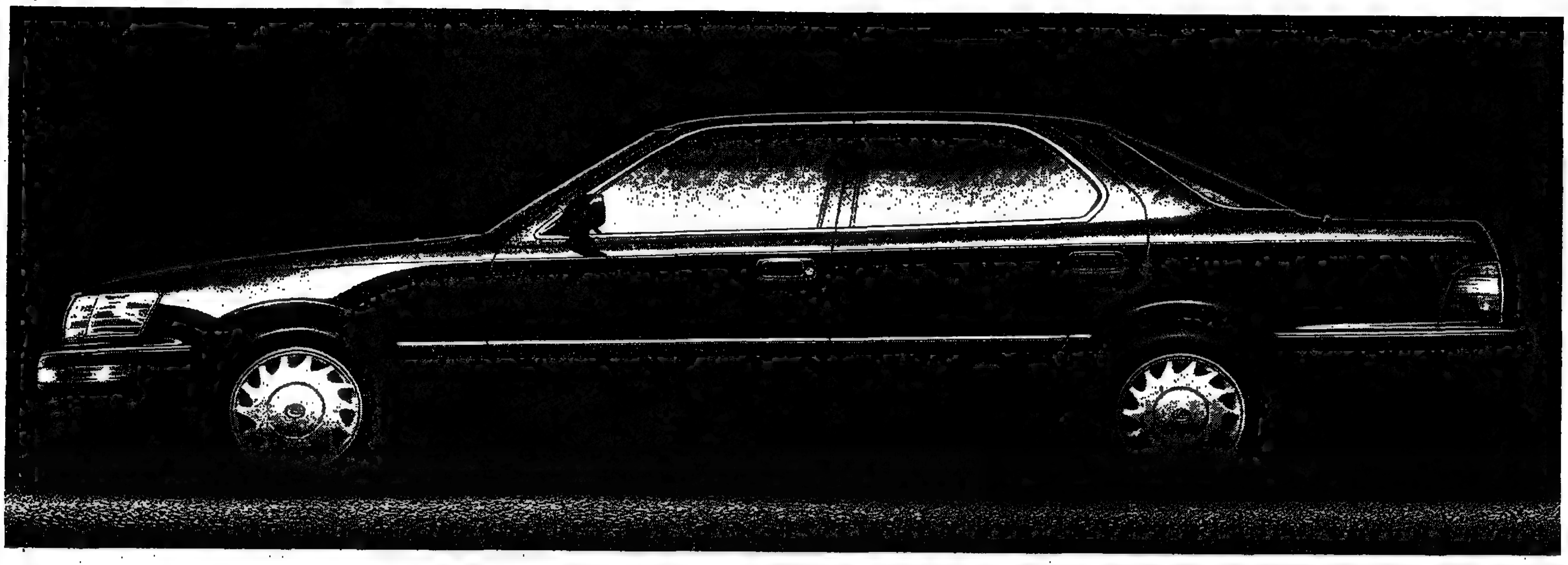
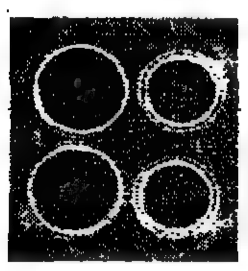
Owed to nature.



Lexus LS400 : High power, fuel efficiency and low emissions

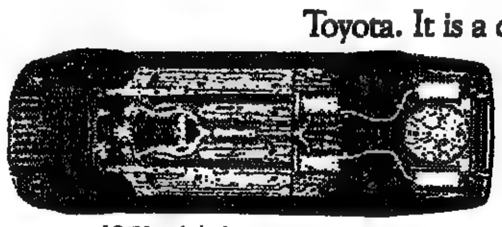


Nature is our inspiration. It is also our responsibility. As members and tenants of this earth.

We all owe something to nature. Yet no one is perhaps in a better position to help protect the environment than we in the car industry. And especially we at Toyota, with the technology and resources we have at our disposal.

A SAVINGS PLAN

With the advent of the oil crisis of the '70s, our attentions were turned to energy conservation. A concern that led us to pioneer and develop a cleaner, more fuel-efficient engine. The multi-valve engine. With three or four valves per cylinder instead of two, it proved a revolutionary means of saving energy — increasing power while reducing fuel consumption. Ten years later, our commitment can be measured by the 9 million multi-valve engines we have produced, making us the industry leader. And to ensure that everyone has access to a more environment-friendly engine, we offer it as standard equipment in every passenger car we make.

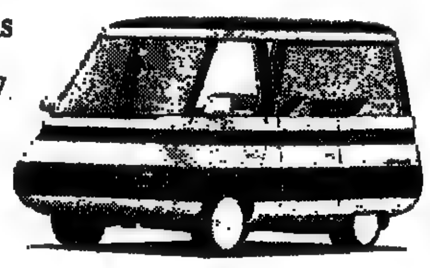


LS400 underbody

LUXURY WITHOUT EXTRAVAGANCE

Lexus is both a new name in automobiles and a new luxury division of Toyota. It is a car without precedent.

With a fourcam 32-valve V8 engine, it offers extraordinary power and luxury with exceptional economy. Economy of fuel. (A mere 10 litres per 100 km.* makes it one of the few luxury cars to avoid the U.S. gas-guzzler tax.) Economy of emissions. (Among the lowest in CO_2 emissions.) Economy of wind resistance. (A 0.28 coefficient of drag, aided by a smooth design featuring a unique flat underbody, gives Lexus the lowest CD figure of any luxury car.) And economy of weight. (Using lightweight materials such as aluminium Lexus offers even greater fuel efficiency.) All contribute to a car with an environmental conscience.



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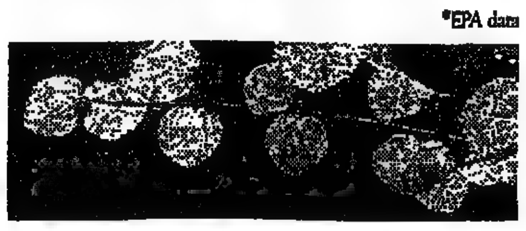
But we think of Lexus as only the beginning of an ongoing commitment to a safer, cleaner environment.

New refrigerants, lean burn engines and electric cars are just some of the areas we are actively pursuing.

We see it as our corporate responsibility. As something we owe nature. To be more resourceful with resources. And to make the future clear for everyone to see.

*EPA data



TOYOTA LEXUS

TOYOTA MOTOR CORPORATION

Immigrant labour

Tougher stance over illegal workers

Report by ROBERT THOMSON

IN THE backstreet bars and all-night noodle shops of inner Tokyo, the waiters and hostesses are prone to speak a Japanese coloured by the unmistakable tones of the Chinese language and show a weariness that is more than the strain of overwork.

Tokyo's bright lights have lured the ambitious from throughout Asia, including an estimated 80,000 Chinese students at Japanese language schools. Some have left behind careers as doctors or university lecturers, and hardly imagined that their new life would be spent frying dumplings or making conversation with half-drunk businessmen.

The Japanese Government has been unskilled in its handling of foreign workers, most of whom are here illegally, and it is grappling with the responsibilities that wealth has brought in a region still troubled by widespread poverty and desperation.

A revision of immigration laws last month caused panic among foreigners and, eventually, drew an apology from Mr Shin Hasegawa, the Justice Minister, for the distress caused. His ministry's badly-handled publicity campaign prompted many foreigners to believe that they would be imprisoned after June 1, although there had been no change in the penalties for illegal workers. But employers illegally hiring foreigners who have arrived in the country after June 1 are now liable to a maximum three years' imprisonment or a Y2m fine. The penalties have apparently encouraged companies to hire foreigners who look more Japanese, for instance, Koreans and Chinese. The situation is made more complex by the demands of an increasing number of industries for an orderly employment system for foreign workers. Meanwhile, the Ministry of International Trade and Industry (Miti) has just recommended that the number of "foreign trainees" be doubled to 50,000 in the next two or three years.

Japan's Food Service Association, representing restaurant chains, suggests that 600,000 foreign labourers be allowed to work in Japan, while the construction industry and owners of smaller factories want more freedom to hire foreigners. The Labour Ministry estimated that 66 per cent of service sector companies and 54 per cent of manufacturers had a shortage of full-time workers in May.

Estimates of illegal foreign workers range form 100,000 by the Justice Ministry, to 200,000 and more by welfare workers. The figure is made all the more difficult to calculate precisely by the potential number of Korean workers, bearing in mind that there were 900,000 entries by Koreans into Japan last year, and many Chinese who are supposedly students but actually working full-time.

Illegal workers have also come from the Philippines, Thailand, Bangladesh, and Pakistan, and welfare agencies say that these groups are more vulnerable to exploitation because they lack information about government policies and do not have the extensive support networks of the Chinese and Korean communities.

In one bar on the seedy side of Shinjuku, the nightlife district, 30 hostesses, all of them ethnic Chinese, pour drinks, make conversation, and join customers in singing along to music videos. A few hostesses are graduates from prestigious Chinese universities, others are from Taiwan, and some are Malaysian students earning money during their holidays.

The club is run by a Taiwanese woman and her Japanese husband, and is intended to give the women a chance to earn needed money without the pressure of prostitution, which is an optional extra at many clubs in the area. Still, there are cultural problems for the Chinese, some of whom have trouble dealing with Japanese customs and who hoped Tokyo would be a transit lounge on the way to the US or Australia.

"Tokyo is so expensive. You have to work all the time just to make enough money to survive. Life is not so easy," one Shanghai woman says. Her ambition was to build a new life outside China, but she dislikes the working conditions and stress, and plans to return to Shanghai before the end of the year.

In another Tokyo suburb, Ikebukuro, the growth in Chinese and other non-Japanese residents has led to a section being dubbed "Asia village." The evolution of such foreign communities was targeted by a government advisory panel under the Ministry of International Trade and Industry. Mr Takeshi Itoh, a deputy chief of Miti's Business Behaviour Division, says case studies were done on West Germany's Turkish workers, and there is concern in Japan that foreigners' enclaves would mushroom and that friction with Japanese residents could "upset the social balance."

"For the time being, I don't think Japan will formally accept foreign workers. We will have to look at the situation in the next two or three years. We are not really sure how severe the labour shortage will be then," Mr Itoh says.

Moves to improve quality of aid

Nearly 70 per cent of Japanese aid goes to Asia, reports MICHIYO NAKAMOTO

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science at Sophia University who is a close watcher of Japan's aid efforts. A project to build a dam in western India is being vigorously fought against by local residents who have sent representatives to Japan to try to stop construction work from being carried out.

The Narmada Dam, of which Japanese ODA is building hydro-electric facilities, is likely to submerge 60,000 hectares of forest and dislocate about 400,000 villagers, according to critics of the project such as the ODA Research and Study Team.

Construction work on the dam is going on despite the protests. The Japanese stance is that the final decision on the project lies with the Indian Government – "this is an internal Indian problem," says an official at the Ministry of Foreign Affairs.

The Government pleads reluctance to interfere in a nation's domestic affairs. But critics of Japan's aid policy point out that Japanese aid has been strategically placed, rather than motivated by humanitarian concerns.

Nearly 70 per cent of Japanese aid goes to Asia. The Foreign Ministry's 1989 report on aid indeed describes aid as a valuable means to furthering Japan's foreign policy objectives. In this context, too, aid has become a convenient way for Japan to answer US criticism that it should shoulder a greater part of the world's peace-keeping efforts and at the same time reduce its massive trade surplus.

The Japanese presence is being felt more strongly in areas, such as Mexico, where the US has had a strong influence but has had to retreat due to its economic difficulties.

Furthermore, while ostensibly it is the recipient government that has responsibility for requesting specific projects, in practice, Japanese trading companies have a major influence over project proposals. They also have strong ties with Japanese consulting firms and contractors – "it is an alliance of the three: consultants, trading firms and contractors," says Mr Murai.

Thus, the Government's claim that 80 per cent of Japanese aid is untied, does not hold water. Aid-watchers estimate that Japanese companies win up to 80 per cent of Japanese aid projects.

In all fairness, the Japanese Government has made considerable efforts to try to counter such criticism. The Foreign Ministry admits there is a need to raise the grant content of aid and a recent report by the Ministry of International Trade and Industry stresses the growing need to place greater emphasis on technical and other training.

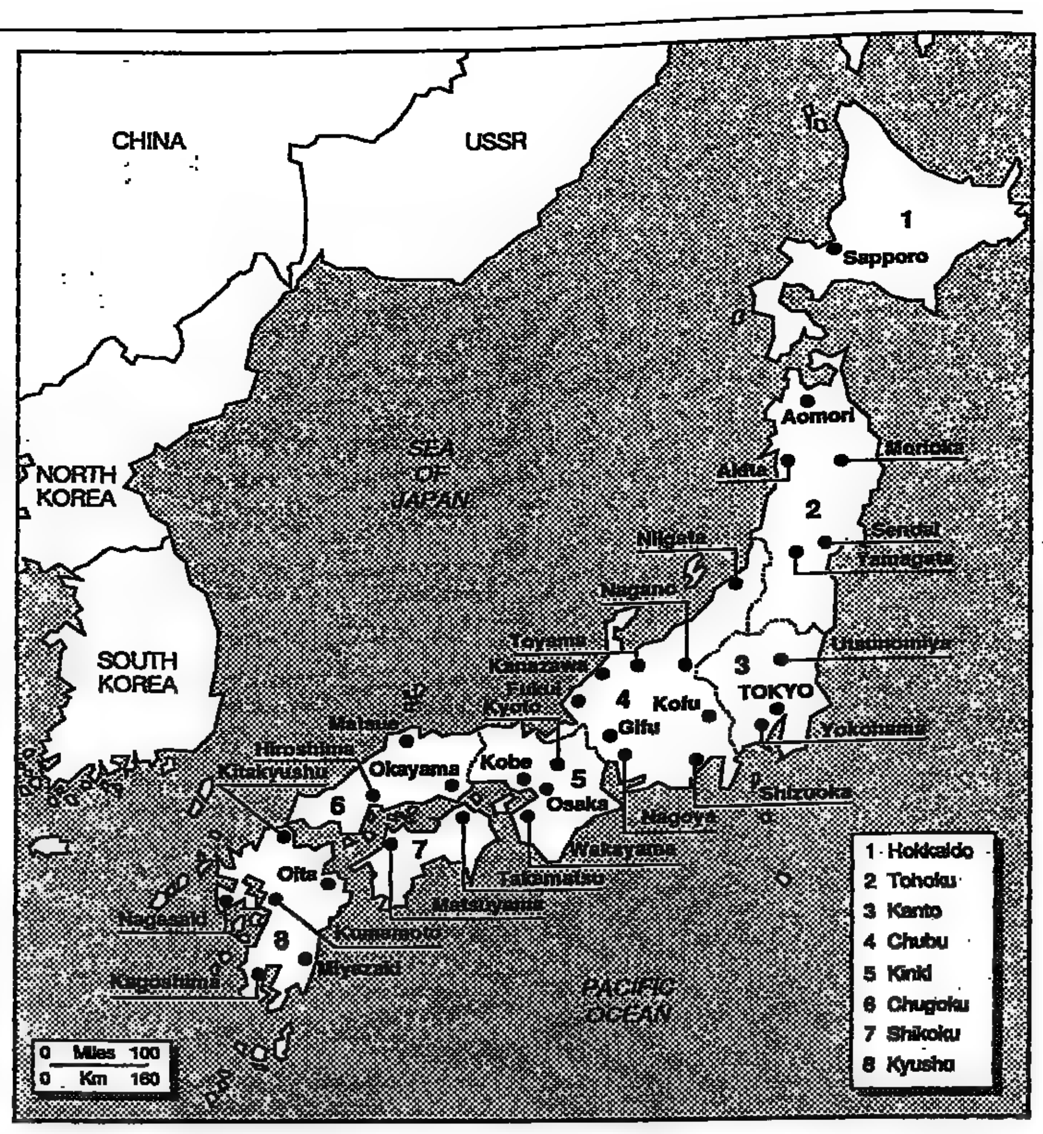
The Government is also taking a few cautious steps forward in opening-up Japanese aid projects to foreign firms. While grants are as a general rule tied, Japan has set up untied grants in Africa where British and French companies have a better chance of winning consultancies and contract work – "this is very unpopular among Japanese trading firms," says a Foreign Ministry official.

Mr Yukio Tanaka at Friends of the Earth, who criticizes the Government's project evaluation methods as slipshod, says there are some signs that things are moving in the right direction.

Japan has started enlisting international co-operation in evaluating projects beginning with the Canadian International Development Agency, a highly-regarded organisation.

But attempts to improve the quality of Japan's aid are still moving much too slowly, hampered as they are by a severe shortage of staff, ministerial turf-wars and a lack of any comprehensive law guiding aid policy.

"Unfortunately, Japan cannot change without outside pressure," says Mr Murai, "and this is true in aid as well."



KEY FACTS

Area .... 377,835 sq km (3,900 small islands)
Population ...123m; 80 per cent live on the northern island of Honshu; density in the major cities (Tokyo, 8.2m ; Osaka, 2.5m; and Nagoya, 2.1m) is extreme.

Head of State .... Emperor Akihito
Political system .... Parliamentary democracy
Time .... GMT plus 9 hours; EDT plus 14 hours
Currency .... 1 Yen = 100 sen
Average exchange rate .... 1988 $1 = Y128.15
.... 1989 $1 = Y137.96

THE ECONOMY

	1988	1989
Total GNP (billion Yen)	367232	390979
Real GNP growth (%)	5.7	4.9
☐ Components of GNP (%):		
Private Consumption	57.1	56.3
Gross fixed cap. formation	30.7	32.2
Government consumption	9.2	9.3
Exports	13.0	14.6
Imports	−10.1	−12.4
Current account balance ($bn)	79.6	57.0
Exports ($bn)	259.8	269.6
Imports ($bn)	164.8	192.5
Visible trade balance ($bn)	95.0	77.1
(with US)	47.6	44.9
(with Western Europe)	25.4	21.3
Export volume (% growth p.a.)	4.3	4.2
Import volume (% growth p.a.)	16.5	8.3
☐ Main trading partners (% of total value) – exports:		
US	33.8	33.8
West Germany	6.0	5.7
South Korea	5.8	6.0
(Western Europe)	21.1	20.5
☐ Imports (%, total value):		
US	22.4	22.8
South Korea	6.3	6.1
Australia	5.5	5.4
(Western Europe)	16.3	18.7
Inflation (% growth p.a.)	1.0	2.6
Unemployment (% of labour force):	2.5	2.3
Dependency ratio*	30.7	n.a.
Total reserves minus gold, $bn.	96.7	83.9
Gold reserves, in $bn	1.1	1.1
M1 growth rate (% p.a.)	7.6	5.0
M2 growth rate (% p.a.)	11.0	10.0
Discount rate (end-period)	2.50	4.25
Call Money rate (average)	3.64	4.81
3-month treasury bill rate (avg).	2.38	2.91
Government Bond Yield (average)	4.97	5.17
FTA Japan index (end-year)	151.31	179.43

** Percentage of population under 15 and over 65.*
Sources: IMF; Datastream; Economist Intelligence Unit; Christopher Flood and Keith Frey, FT Editorial Research Department.

The labour shortage worsens

There is a scramble among employers to attract young workers, says CLAY HARRIS

IF Norman Tebbit's father found himself in Japan today, he would not have to get on his bike and look for work, as the former UK minister said in his famous rebuke to the unemployed. A factory would be built near him and his employer would promise a shorter working week, throwing in a new bike in the bargain.

Japan has 2m more jobs than workers to fill them, the fruits of a declining birth rate and a prolonged economic expansion. Unemployment stands at only 2.1 per cent, and most of these 1.4m people are between jobs, over 60 or in outlying regions.

The labour shortage is likely to get worse in the 1990s, whatever happens to the economy. This is posing serious problems for companies of all sizes and in all sectors, although the construction and motor industries and service areas such as retailing and restaurants have been particularly badly affected.

The labour shortage has strengthened the hand of employees, who are pressing for improvements in conditions and a reduction in the number of hours and days worked. But it has made itself felt even more in the competition to recruit both school leavers and graduates, who are less willing than their parents to work long hours in hard and unsatisfying jobs.

Now the young are pressing their advantage to the maximum, forcing employers into an undignified scramble to woo them. Companies even jettison fuddy duddy names for "friendly" ones to improve their image with recruits.

One of several dozen to do so, citing just that reason, is Tohuku Electrical Construction, an electrical engineering group, which is rechristening itself Yurtec (a contraction of "your technology").

But many young people simply do not share their elders' work ethic. Temporary placement agencies enable these "freeters" to alternate periods of work with long vacations abroad. The labour shortage is encouraging efforts to expand the role in the permanent workforce both of women and of older people, the only age group in which applicants outnumber vacancies.

Internal training has been given a boost and mid-career job changes are becoming much less rare – "the era of staying and bearing with one company has gone," says Mr Takehiro Sakamoto, employment policy director at Nikkeiren, the Japanese Federation of Employers' Organisations.

One factor curiously absent from the discussion is wages. Employers show few signs of trying to out-bid each other, and workers and unions apparently rarely raise the issue. No one is challenging the consensus 5.9 per cent increase reached in the spring wage round, although this summer's bonuses may see a few efforts to establish "generous" reputations.

In the longer term, the imbalance between jobs and workers will provoke major changes, perhaps even a revolution, in the organisation of work and of working life in Japan. It may also slow the centripetal pull of jobs and people towards Tokyo.

Although Japanese newspapers are now filled with articles about the labour shortage, it did not appear overnight. The ratio of notified vacancies to applicants passed 1:1 in March 1988; in 1990, it has stabilised at about 1.35:1, the highest level since before the first oil shock in the early 1970s.

The effects of the shortage can be seen at a company like Nissan, which has 5 to 7 per cent fewer production workers than it needs, according to Mr Hiroshi Moriyama, the general manager of the motor group's personnel department who last month, became the youngest person to join its board.

That means Nissan is least 1,200 workers short. It has had to adjust production by restricting overall volume and shifting output from exports to the buoyant domestic market.

Nissan has considered importing cars from its overseas plants, as Honda has from Ohio, but has so not because of different specifications for cars in Japan. In any case, says Mr Moriyama, the problem is based in Japan and has to be solved there.

Instead, the motor industry is seeking to make jobs more attractive, primarily by improving working conditions, including shortening the working week and hours and offering subsidised housing. Nissan already has dormitories with capacity for 10,000 single workers and family housing for 5,000 households, nearly a third of its entire workforce.

More fundamentally, Mr Moriyama expects a change in the very structure of work – "we want production workers to start thinking on their own and become involved in decision-making."

Apart from initial recruitment difficulties, staff turnover has jumped. Of Nissan's most recent intake of 500 high school graduates, almost 14 per cent had left after a year, considerably worse than its target of less than 10 per cent attrition – "young workers are dreamy, not practical," he sighs. Their expectations of work at Nissan are based on the glamour of the finished product, and are often quickly dashed.

Complaints about the attitudes of a generation which has known nothing but abundance are common, says Mr Shohei Itoh of the Ministry of Labour's employment policy department. Young people want to avoid long hours and dirty and dangerous work.

A four-day week for permanent staff has been introduced by one retailer, Yaohan, and is being tested by another, Daiei.

The Labour Ministry wants the Government to raise the retirement age to 65. At present the "guidance" is 60, but 40 per cent of workers retire at a younger age. It may seem contradictory to be lengthening working life while reducing hours, but this fits in with what staff want.

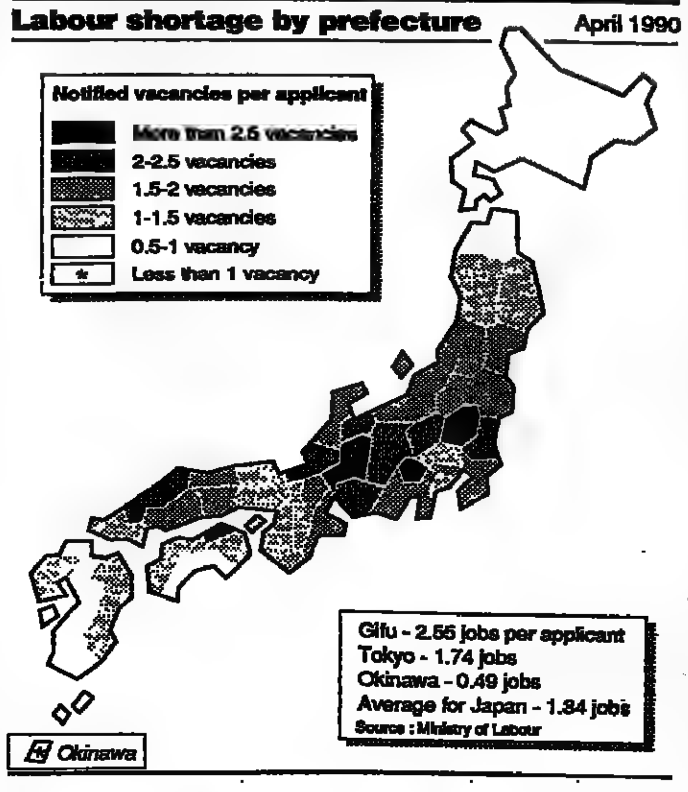
Japanese working life may become, in the words of Ms Keiko Tanaka of Nissan, "not thick and short but thin and long." Women like Ms Tanaka play a role in the Government's plan to increase the labour pool. It wants to keep them in the workforce, so it encourages "career breaks" and subsidises the 10 per cent of companies which offer better maternity leave than the statutory six weeks before and eight weeks after birth.

The labour shortage has also sparked another significant change, according to Mr Itoh – "in the past, workers moved to where the jobs were. Now there is a tendency for the jobs to move where the workers are." Many companies, for example, have set up plants on the northern island of Hokkaido where local authorities have been trying to staunch the outflow of labour. This helps to slow the irresistible pull towards Tokyo and, to a lesser extent, and the Kansai region of Osaka, Kyoto and Kobe.

"Balanced development is what we need for the prosperity of the whole country," says Mr Itoh.

Labour shortage by prefecture

April 1990



Gifu - 2.55 jobs per applicant
Tokyo - 1.74 jobs
Okinawa - 0.49 jobs
Average for Japan - 1.34 jobs
Source : Ministry of Labour

The economy seems to have become oblivious to many shocks, says **David Lascelles**

Another year of solid growth

NOTHING, it seems, can stop the Japanese economic powerhouse, not even the collapse of the Tokyo stock market.

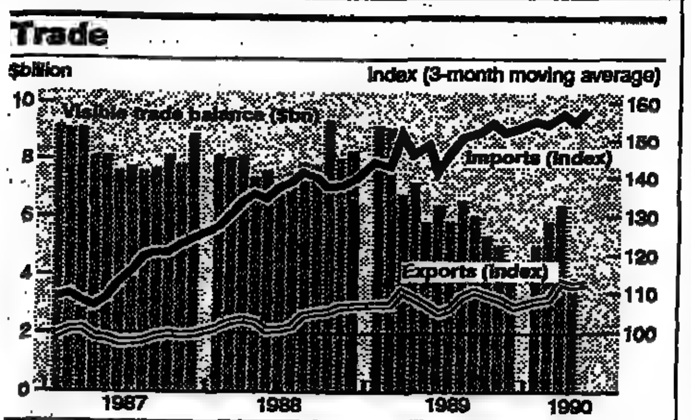
Three months after the market hit bottom in April, the financial sector is still nervous, but there is surprisingly little sign of damage to the business community at large.

At mid-year, Japan seems well on the way to recording another year of solid growth. Indeed, whatever difficulties it faces are more likely to stem from a surfeit of economic activity rather than a lack of it.

The Bank of Japan's latest quarterly survey of business prospects in May showed that the great majority of manufacturers expected their robust performance to continue at least until September. There was a small decline in the business confidence index, but the Bank described the economy as "pegged at a high plateau."

The Economic Planning Agency confirmed this by reporting that the economy grew by 2.5 per cent in the first quarter of 1990 compared to the last quarter of 1989, meaning that it is now close to achieving four years of uninterrupted growth.

For stock market watchers, this was a clear indication that the collapse was linked more to other worries (like excessive borrowing or soaring land prices) than to the performance of corporate Japan. Most forecasters are expecting GNP growth this year in the 4-5 per cent range, only slightly down on last year.



This growth is underpinned particularly by the high rate of domestic investment. Companies have been pouring money into new plant and equipment to raise their efficiency – a trend which will have a big impact on Japan's external competitiveness as well.

"Japan's industrial investment will produce a surge in productivity. This is not to be under-estimated," said Dr Paul Summerville, an economist with Jardine Fleming Securities. Nonetheless, there are worries about the prospects. Many of them centre on the emergence of growth bottlenecks and the threat they pose to inflation. The labour market is tight, particularly in manufacturing, and this is expected to produce problems, now that Mr Toshiki Kaifu's government has refused to relax immigration controls.

But how big will those problems be? The pessimists foresee severe constraints. But others believe the problem as been exaggerated. The traditional spring wage offensive this year produce an overall rise of 5.9 per cent, up from 5.2 per cent last year. When set against an expected inflation rate of 1.5-2 per cent it does look a bit alarming.

The economic miracle (continued)

■ Now that the Japanese economy has shrugged off the first quarter stock market slump with ease, economists are revising back up their revised down forecasts, and calling for real growth of close to 5 per cent this year. The trade outlook is more worrying, as the Uruguay Round negotiations approach their climax and the weak yen threatens to exacerbate the trade surplus.

Mr Hirohiko Okumura, chief economist a Nomura Research Institute puts the negative effect of labour constraints on economic growth at 0.7 per cent this year, though in the longer term he believes there is plenty of spare labour in the services sector which can be shaken out to man the production lines of industry – as much as 2m of the 11m people in services.

There would probably be less concern about the bottlenecks were there not also potential inflation pressures from fast-growing money supply and the recently weak yen, which has traded down from a high of 128 to the dollar to 155. Mr Takeshi Ohta, the deputy governor of the Bank of Japan, makes no secret of the fact that "I would feel more comfortable with a stronger yen."

The Bank of Japan is widely thought to be waiting for an excuse – like a rate hike in the US or West Germany – to push Japanese interest rates up for the fifth time in just over a year. But the constraints on such a move are partly political – the Ministry of Finance would oppose it – and partly prudential.

No one wants to test the strength of the recovery in the stock market, let alone of the real estate market which is only just beginning to show signs of easing off from its dizzying rise of the last five years.

Indeed, the issue of land prices looms large in the economic debate. So much now hangs on them – the banking sector, the stock market, the confidence of whole swathes of the business community – that a collapse would be truly disastrous – "Japanese capitalism is based on land prices," says Mr Keikichi Honda, general manager of research at the Bank of Tokyo. "A reduction is not on the political agenda because it is a solid part of our equity base."

Nonetheless, the Government would clearly like to see land prices ease off, even come down a little. It has been exerting pressure on banks and leasing companies to rein in their property lending.

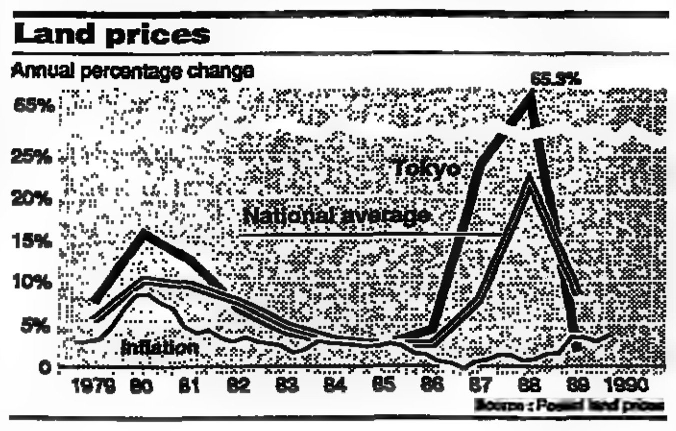
The weak yen is a double problem. Aside from posing an inflation danger, it is cheapening Japanese goods in foreign markets and producing an embarrassing rise in exports. Of the 2.5 percent rise in output in the first quarter, 1.8 percentage points were accounted for by external demand.

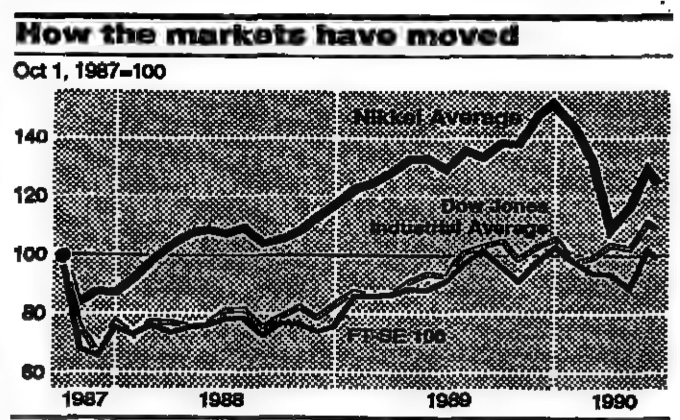
Overall, though, the current account may worsen this year because of other factors, like the rise in the oil price and other dollar-denominated imports like feedstock. The Ministry of International Trade and Industry is also leaning on Japanese companies with some effect to import more.

But the international competitiveness of Japanese industry is, if anything, still growing. Mr Okumura points out that the irony of US demands for reform of Japan's inefficient retail distribution system to facilitate foreign imports will have an unwanted side effect: it will reduce Japanese production costs still further.

"The US doesn't seem to realise that reform will only increase the Japanese trade surplus," he says.

Generally, the economy seems to have become oblivious to the many shocks – political and financial – which have hit it. Indeed, industry is now in the fortunate position of being cash-rich at a time of high interest rates, and of being able to profit from the low yen in the export market. Is this a virtuous circle – or too much of a good thing?





Rumblings over trade issues

There have been ominous noises from US Congress, says ROBERT THOMSON

IN THE midst of the hearty congratulations from President George Bush and Mr Toshiki Kaifu, Japan's Prime Minister, there were more ominous noises from US Congress after the landmark US-Japan agreement on removing "structural impediments" to trade was announced in late June.

One US senator suggested that "not enough was done," another argued that the wide-ranging agreement "only nibbles at the edges" of Japan's trade barriers, and another said that "Japan must redouble its efforts to eliminate its long standing restrictive practices".

The settlement of the Structural Impediments Initiative (SII) agreement marked the end of an unpredecented political process, which, in theory, was an invasion of Japan's privacy, but which inspired lively domestic debate on consumer needs and produced promises to upgrade sewerage facilities and to increase the size of the average Japanese home.

Unfortunately, and despite the promises of US negotiators, Washington tended to see the bilateral process as simply another means to identify Japanese causes of a $49bn bilateral trade deficit, and not as an opportunity to introduce reforms that would make the US more competitive in the demanding Japanese market.

With SII out of the way, Japanese officials should be able to concentrate on the final months of the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade. Japan has been prominent in offering suggestions on new areas such as investment and intellectual property, but has attempted to keep a low profile on the more important subject of agriculture.

Japanese officials have been quite content to let the US and EC argue over agriculture, while maintaining that for reasons of "food security" Japan's rice market must remain closed.

Opening the market is likely to have little impact on the bilateral surplus with the US or the current account surplus, yet a creative proposal from Tokyo would stimulate an otherwise difficult debate.

But Japan's Agriculture Ministry remains unmoved. As one very senior official suggested: "Why should we make a concession when the EC and the US can't agree on removing food export subsidies?"

The ministry's view is that if a concesssion has to be made on rice, it will be in the last days of December and under extreme international duress.

The Agriculture Ministry is a naturally inward-looking Japanese institutions, but the more cosmpolitan Finance Ministry has also caused unexpected trade friction in recent weeks by advocating a "good surplus" theory.

The ministry's argument is that Japan's current account suplus should not fall beyond the present level of around two per cent of GNP in the interests of maintaining a capital flow to the rest of the world and, in particular, bankrolling eastern Europe.

That theory was buried during the final round of SII negotiations and by senior officials at the Ministry of International Trade and Industry (Miti), who made clear that nations with current account deficits contribute to international development and that the level of national savings is a more important figure for capital flows.

Miti has also attempted to convince other ministries of the importance of Japan's role in the Uruguay Round negotiations. In a just released white paper on trade, the ministry condemns the increase of non-tariff trade barriers and the rise of regionalism, while lauding the role of the Gatt.

"If we are to hold down protectionism and maintain and strengthen the free trade system, it is essential to lead the Uruguay Round of talks to success, and Japan must play an active role in this," the white paper said. An early concession on rice would be an impressive contribution to the process.

US rice farmers hope to benefit from an open Japanese rice market, but for Washington, a longer term goal should be to increase the country's share of manufactured exports to Japan, which are well below the levels reached by the newly-industrialised economies of Asia.

Last year, manufactured goods comprised 58.3 per cent of the value of Japan's imports from the US, while the figure was 86.1 per cent for imports from the EC, and 75.5 per cent from the NIEs. Overall, the growth of Japan's manufactured imports slowed last year to 12.3 per cent, down from 30.5 per cent in 1988.

At the same time, Japan's exports of high-value added products have continued to increase. Last year, 74.7 per cent of exports were machinery and transport equipment, compared to 62.8 per cent in 1980. In the same period, the share of metal products exports has fallen from 16.4 per cent to 7.8 per cent, while chemical exports have risen from 5.2 per cent to 5.4 per cent.

Miti's white paper includes a table based on an OECD index of international competitiveness in machinery and mechincal industries, which gives the US a minus rank, shows the EC on a slow but steady decline over the past 15 years, and puts Japan well ahead of the competition.

The politics of trade, and the sensitivity of the surplus with the US, means that there is pressure on Japanese companies not to exploit the currency's present weakness and, perhaps, undermine the current account adjustment process.

The perceived success of the SII agreement could also depend on whether Japanese companies exercise restraint. Agreement on SII does not preclude the possibility that Japan could be listed under the punitive Super 301 clause of US trade legislation.

US trade negotiators expect the results of the SII to be seen in two to three years, but a few months of unfavourable statistics could convince US Congress to reach for the crowbar in the confidence that nothing has changed in Japan.

The Tokyo Stock Exchange

Unpredictable tendencies

WHEN the Japanese stock market suddenly fell by 28 per cent in the early part of this year, it seemed as if the most widely predicted event in the world investment business had finally arrived. The stratospheric advance of the Tokyo stock exchange had come to a grinding halt.

But since then, two notable things have happened. One is that the rest of the world has kept its nerve: the fall in Tokyo has not been mirrored in Europe or the US. The other is that Tokyo has got back on its feet. After falling from its peak of just under 39,000 on the last trading day of 1989 to 28,000 in early April, the Nikkei average is already bouncing back.

What does this recovery mean? Was the fall just an aberration that will seem like a mere blip in the Nikkei's inexorable upward climb. Or was it a sign of deeper problems, and if so, how sustainable is the recovery?

You can take your pick of opinions in Tokyo these days. Old bullish habits are deeply ingrained, and many people find it hard to believe that the stock market will not eventually resume its upward course, despite the traumas which thousands of private investors suffered in March and April. After all, the economy is still growing strongly, profits are up and – at least for the time being – interest rates are stable.

But the fact is that the price recovery has not been accompanied by a strong rise in trading volumes, which means that investors are probably much more cautious than the trend in the Nikkei indicates. The recovery has also been helped

After the crash

■ Stability has returned to Tokyo's financial markets since the first quarter slump, but it is still by no means business as usual.
■ Stock market volume remains weak and concern over inflation and corporate profit growth prospects is rising.
■ Meanwhile, deregulation of interest rates on bank deposits is making equity investments relatively less attractive.

by a temporary moratorium on new equity issues which expires this month. This is causing analysts to focus hard on the causes of the price collapse.

One of them was undoubtedly the excess of credit which drove both corporate and private speculators to the top of a dizzy pyramid of borrowing. In particular, there were the tokkin funds through which companies could invest borrowed money in stocks, often the stocks of the very banks from which they had borrowed in the first place. Soaring land prices added to the feeling that the market could only go one way.

What pricked this speculative binge was the fourfold increase in the discount rate made by the Bank of Japan last year to bolster the weakening yen and put a brake on inflation. Even though the level of credit is now down, and new curbs on the tokkin funds have been introduced, the market is now much more conscious of the effect of interest rate changes. The big worry is that the US and Germany will have to raise rates this summer – in which case, the Bank of Japan would have to tighten Japanese credit as well. But a rate rise may be necessary anyway because of the weakness of the yen, and the inflationary dangers posed by a rapidly growing economy where bottlenecks are becoming apparent.

As it is, investors can earn over seven per cent in virtually risk-free investments in money market certificates and this is a further disincentive to go into stocks just now. The investment climate does not, therefore, favour equities. Instead, the investor is developing a consciousness of investment yield, which is a novelty in a market accustomed to measuring returns almost entirely by capital gains.

The wide gap between Japanese price/earnings ratios and those in other markets was another obvious reason for predicting a fall, though it is by no means certain that the average Japanese investor cared much about such technicalities, just so long as the price kept on going up.

"The Japanese have learnt the lesson that the difference in price/earnings ratios is no joke," says Mr Keikichi Honda, general manager of economic research at the Bank of Tokyo. "Maybe our p/e's are too high and will have to come down over a large number of years."

The fall certainly seems to have stimulated Japanese investment interest in foreign markets, according to Mr Sachio Hori, general manager of securities sales at Goldman Sach's Tokyo office. "Investors are more interested in the European market than the US," he says. "They are keeping liquid in Japan."

Floor dealers crowd the registration counter during a brisk session at the Tokyo Stock Exchange, earlier this year

But it is hard to find commentators who are solidly bullish about the prospects in Tokyo, mainly because prices still look high by international standards, and the market is vulnerable to increases in interest rates and movements in the perilously high real estate market.

"Unless earnings improve dramatically or interest rates fall one per cent or more, the market can go nowhere," says Mr Naoya Ozawa, director of research and marketing at James Capel Pacific, who thinks the market is still overbought. If there are buying opportunities, he expects to see them in construction-related sectors. His view is relatively optimistic, though, compared to some. Jardine Fleming Securities believes the market could still suffer another major fall, to possibly as low as 25,000 because of the uncertainties that cloud the outlook.

A similarly bearish view is taken by Smithers & Co., a London-based economic analysis firm specialising in Japan. The firm believes that the official optimistic view of the economy's prospects are wrong for two reasons, both of them bad for the market. Either profits will fall or inflation will prove harder to eradicate than the government thinks. Combined with the continued expensiveness of the market compared to bonds, this does not bode well.

Despite the caution, though, analysts say it is too soon to be sure whether the Tokyo market has begun a long period of adjustment in which p/e differences with other markets will narrow. What is clear, though, is that the market has shown unpredictable tendencies, and that alone will cause investors to treat it with greater caution.

David Lascelles

Capital market liberalisation

Reforms progressing slowly

IT HAS become an adage of the Tokyo capital markets that the time when they will finally *shake off their regulatory* shackles is always two years away. That still seems to be the case, despite advances in some areas.

The latest step forward came in mid-June when the Securities and Exchange Council, a government advisory body, said that banks could be allowed to engage in the securities business, under certain conditions.

That brings the prospect of fundamental institutional reform a small step nearer though, again, officials say it will take two years to get new laws on the statute books to remove once and for all the divisions between securities dealing and banking.

Reform is progressing nonetheless under the combined pressure of Japan's own interest in a financial system where the cost of different types of capital become more closely linked, and of foreigners wanting access to Tokyo's huge markets. The US wish to see the yen play a bigger international role has been another factor.

Reform so far has had its biggest effect on the interest rate market. In the banking sector, deposit interest rates are being freed up, and Japanese depositors can now obtain money market rates on minimum balances of 1m yen, as of last April. But this is also forcing up the banks' cost of funds, and they in turn have *responded by introducing a* prime lending rate based on a formula linking their main funding sources. But while this brings more flexibility to lending costs, the system still needs some perfecting because it often leaves the prime rate below the market rate.

Over time, this change is bound to have a big influence over the banking industry by intensifying competition among banks for funds. It is already proving particularly costly to regional banks who previously relied heavily on low cost regulated deposits for their funding and now have to pay rates closer to the market.

The lifting of interest rate controls has also contributed to the rapid growth of the inter-bank market, which has corrected one of Tokyo's weaknesses as a financial centre, and given the Bank of Japan a more effective means of influencing open market rates.

But changes have not yet had much impact on the capital markets. Investment institutions complain particularly about the lack of depth and variety in Japan's bond markets, both for governmental and corporate issuers. Domestic controls have meant that most Japanese borrowers and investors go abroad, to the Eurobond markets.

"Moves from the government side, and innovation are quite slow," says Mr Yoshihiko Miyabe, deputy general manager of *international planning* at Yasuda Trust, one of the large trust banks. "We would like to see much more variety in the bond market."

He expects Japan to have effective capital markets within about five years, but only if far-reaching regulatory changes are made.

Among the impediments are the absence of widespread ratings for Japanese borrowers, the close relationships which bond-issuing companies have with particular bank lenders, and requirements that bond issues be collateralised, though these are being phased out.

Reform so far has had its biggest effect on the interest rate market, says DAVID LASCELLES

If the equity market does go into a long bear phase, the cost of capital there will become less attractive, and some analysts believe this could also boost an emerging corporate bond market.

Mr Akio Mikumi, who runs the only independent rating agency in Japan, Mikumi & Co, sees liberalisation hastening the break-up of relationships between banks and corporate customers, particularly at the top end of the market.

The intensity of competition *is such that banks make very* little money from large corporations, and are therefore willing to yield up their business to the bond market.

But banks want to be able to underwrite bond issues, so they want deregulation. They also, as Mr Mikuni points out, help out their corporate clients by buying their shares up to the maximum permissible five per cent.

The workings of the equity market itself could also do with some improvements. One of the biggest complaints is that liquidity is much lower than the market's huge size suggests because so much of it is represented by friendly cross-shareholdings which seldom change hands. The domination of the market by the big four securities houses is also worrisome, while commission costs are still high by international standards.

Mr Nobumitsu Kagami, executive managing director of Nomura Investment Management, one of the largest Japanese fund managers, says he welcomes the arrival of foreign brokers in Tokyo because they have introduced new techniques, better research, and more specialist services.

"Foreign brokers are making a much bigger contribution," he says. Derivative products and mortgage-backed securities are among recent innovations.

A big question is whether the stock market will continue *to show the strength which has* driven the cost of capital for corporate Japan down to a level which Mr Kagami describes as "unsustainably low".

The liberalisation of bank deposit rates has given the private investor an attractive yield-oriented alternative to equity investing which could force the stock market to adjust. If the cost of equity capital rises, then a deregulated bond market would have clear attractions for issuers.

The Japanese investor is also becoming a bit more discerning. The arrival of foreign competition in the Tokyo fund management business is beginning to affect established relationships between Japanese fund managers and their institutional clients, Mr Kagami says, though he explains it is hard for foreigners to break in. Nonetheless, performance is beginning to be taken into account in a way that it was not previously.

By the standards of other financial centres, Tokyo still seems riddled with controls and unfathomable practices. But each year brings fresh advances, and when the Long Term Credit Bank recently produced a 28-page report on financial liberalisation, it felt emboldened to entitle it: *At The Final Stage*.

The lobbying game

Ways to penetrate the bamboo curtain

STEADILY and stealthily, well-connected special-interest cheerleaders from foreign corporations are helping open Japan's bamboo curtain to a world that has long complained of lack of trade and investment reciprocity.

But as with so many activities in Japan, the lobbying game in Nagatacho (Japan's *parliament district) and Kasumigaseki* (the bureaucratic hub) has different rules and goals than on Capitol Hill or in Whitehall.

The hit-and-miss lobbying experiences of most foreign companies and their affiliates reflects their inability to penetrate or comprehend the power structure of a nation where contacts, not contracts, are at its core.

Corporations are divided as to what kind of person constitutes the most effective lobbyist in Japan. They are equally divided as to when and how to approach perenially busy politicians and career civil servants.

Regulatory environment

"One reason that companies have difficulty in the market is that they don't understand the regulatory environment in which they operate," explains John P. Stern, vice president of the American Electronics' Association Japan office. "The ability of American business to understand how the Japanese government works is in its infancy."

Many companies employ a mix of Japanese or foreign government affairs executives or public relations consultants to target bureaucrats at Japan's powerful ministries, in particular the Ministry of International Trade and Industry and the Ministry of Finance.

These civil servants, a disproportionate share of whom are law school graduates from top-ranking University of Tokyo, largely set the nation's legislative agenda and their conclusions are usually adopted, with marginal changes, by Diet (parliament) members of the ruling Liberal Democratic Party.

Major Japanese corporations, through their government affairs departments and "old boy" networks, long ago *tapped into this well-worn system*. Each financial institution, for example, employs so-called "MOF-tans" or Ministry of Finance-watchers, who visit the ministry at least twice a week to collect and dispense information.

Now, some foreign financial affiliates are trying to mimic that approach. For example, Takahiro Kawasaki, Tokyo vice president of Bankers Trust, uses connections built up during a quarter century at the government's Japan Development Bank to keep Finance Ministry bureaux informed of the New York bank's activities and aspirations.

One key to effective lobbying in Japan is to "place" a corporate policy issue on the bureaucratic agenda. To do this, long-established foreign affiliates, such as Fuji Xerox and IBM Japan, have succeeded in gaining membership for top executives on ministerial councils and committees where the all-important consensus is hammered out.

The lobbyists also target committees set up by Japan's four main employers' groups – Keidanren, Keizai Doyukai, Nikkeiren and Nissho – whose *recommendations carry heavy* weight with the bureaucrats and politicians.

Increasingly, companies also target the politicians themselves, especially leaders of unofficial cliques that have influence over specific industries, *such as construction*. More than ever, lobbyists believe that it is important to establish good relations with the new generation of LDP politicians, many of whom prefer arm's length ties with bureaucrats.

Breaking into the market

■ Complex distribution systems, which continue to befuddle foreign manufacturers, are being simplified, but at a glacial pace. Still, there are ways to beat the system, or to work within it, as persistent companies, such as Lego and Bang & Olufsen, have found, (see facing page).
As in many countries, an investment in good old fashioned lobbying can also be helpful.

At the same time, because Japanese political districts are multi-seat constituencies, and with foreign corporate activity concentrated around Tokyo, lobbyists complain that few politicians have any interest in foreign corporate problems.

Consequently, lobbyists say, it is best to focus on establishing long-term contacts with information-hungry government officials, rather than trying to solve or promote individual issues alone. The best approach to specific problems, they add, is often a co-operative initiative with a foreign embassy and an industry association or chamber of commerce.

Such an approach, using the expertise of the US Embassy in Tokyo and the US Chamber of Commerce, was instrumental in helping a handful of U.S. companies obtain contracts for construction of the new Kansai International Airport near Osaka.

Lobbying efforts of some European Community nations, the U.S. Government and U.S. state offices have also spurred MITI and the Japan External Trade Organisation to spend more on an import promotion *programme*. The European Business Council (EBC), which is the European business community's lobby in Tokyo, has been effective this year in warding off attacks by MITI and the Ministry of Finance on the high prices of imported goods.

IBM Japan, founded in 1937 and with more than 20,000 employees, has more experience than most foreign affiliates playing the lobbying game.

Periodically, the company invites politicians and bureaucrats to unwind at its Amagi Homestead convention centre in the *shadow* of Mount Fuji. Its president, Takeo Shiina, sits on an important MITI advisory board. And like many Japanese companies in the US, the company has endowed an academic chair – a Y120m four-year chair at Keio University. All these efforts have helped the company integrate into the top ranks of Japanese society.

Most other companies have had less success, largely because they have made fewer efforts. Four years ago, according to a Keio University study, fewer than one in five foreign companies in Japan employed a government *relations* specialist. Many simply lobbied through Japanese joint venture partners or employed Japanese consultants.

Today, compared with the well-financed Japan lobby in Washington, foreign lobbyists in Tokyo are still an oddity. But the percentage of in-house lobbyists is rising fast and the lobbyists themselves command higher status.

For example, Nippon Motorola and American Telephone & Telegraph Japan Inc., recently appointed Japanese-speaking former U.S. Embassy officials to head government affairs' departments in Tokyo.

Meanwhile, Rolls-Royce (Far East) in May appointed Anthony Millington, former head of the British Foreign and Commonwealth Office's Far Eastern Department, as its Tokyo-based president. Millington, who speaks fluent Japanese, has extensive contacts at the foreign ministry and in the defense agency, to which Rolls-Royce wants to sell aircraft engines.

Other foreign affiliates take a different route, preferring to hire so-called *amakudari* bureaucrats who "descend from heaven" after they retire to join the business world for a few lucrative years.

These "old boys" work for foreign firms as diverse as McDonald's Co (Japan), Du Pont (Japan) and Swiss Bank and can often gain access to bureaucratic information *through their former colleagues*.

Perhaps the most notable is Makoto Kuroda, a former MITI vice minister who worked for 18 months until recently for Salomon Brothers' Tokyo office. Other foreign companies, worried about being too assertive, promote their interests through embassies and industry associations, such

Continued on facing page

The distribution sector

Complex problem for importers

A FORMIDABLE barrier to potential imports or a convenient excuse for failure? Japan's distribution system, unusual in its complexity to foreign eyes, has lagged behind post-war developments in North America and Europe. Yet what looks archaic and cumbersome does meet consumer-demand in a way more streamlined systems fail to do and is evolving faster than it seems.

That premise might seem far-fetched to Toys R Us, the US toys retailer which is chafing at delays to its application to open a superstore in Niigata.

The US Government, moreover, has made changes in the Large Scale Retail Store Law, which regulates the building and opening times of stores over 500 sq. metres, a central plank of its demands in the Structural Impediments Initiative trade talks.

The first fruits of US pressure came in May, when changes in the way the law is applied took effect. That some appear minor shows how fine the teeth are on the government's regulatory comb.

Large stores will be able to open until 7pm rather than 6pm without asking for permission and will have to seek a waiver only if they plan to be closed fewer than 44 days a year – not particularly restrictive rules compared with retailing practice in London's Oxford Street or the Zeil in Frankfurt.

Report by
CLAY HARRIS

The other two elements of change were more to the point. All applications must now be decided within 18 months – formerly, some were still unresolved after a decade – and any extension of selling space of up to 100 sq. metres can proceed without permission if it is to be used to display foreign goods.

This should go some way towards defusing the main US contention that imports are at a disadvantage if large stores are restricted, but the Ministry of International Trade and Industry (Miti) makes clear there is no question of total deregulation.

North America and Europe, of course, are no strangers to planning battles over superstores and debates about their economic effect on communities, but typically this happens unnoticed at the local level, a option out of the question in centralised Japan.

Concerns about the distribution system, however, do not end there. The other two aspects which most exercise critics are the multi-tier wholesale system which applies in many sectors and the important but declining role of small retailers tied to one manufacturer, especially in consumer electrical goods.

Japanese Government and commerce officials argue, in a mix of explanation and self-justification, that the multi-tier system often reflects exactly what the consumer wants. Shopping for fresh food is done daily and in the neighbourhood. The small shopkeeper holds low stocks even of less perishable goods, and not just because storage space is limited.

"When she looks on the shelves, the Japanese housewife looks for the most recent can every time," says Mr Hiroyuki Mori of Miti's commerce policy bureau. "The Japanese retailer puts the oldest can in the front row. She picks from the back row."

As a result, just-in-time applies to distribution as much as to manufacturing in Japan. Deliveries are frequent and in small lots.

What is true for retailers applies up the chain as well: no one holds more stock than necessary. Moreover, sale or return applies to many more products than in other countries, an incentive to spread risk throughout several levels.

None the less, officials argue that Japan has a similar ratio of wholesalers to retailers as other countries. It just has so many shops. In 1988, Japan had 1.62m retail outlets of all kinds, twice as many per head as in the US, and 4½ times as many food stores, and 10 times as many fresh food stores.

The comparable figures were similar, though not so dramatic, for European countries.

In the same year, 54 per cent of Japanese retailers employed less than three people, while only ¼ per cent employed 50 or more. But the situation is evolving.

As the Japanese eat more western-style foods, the weekly shopping trip for all but the freshest items is becoming more common. Although Japanese homes are small, sales of large refrigerators are higher than in many European countries.

Despite red tape, the number of large stores is rising by 300 per year, and demographic changes and property redevelopment mean small shops are disappearing by the tens of thousands.

The tied retail outlet, another *bête noire*, is also declining in importance. By 1988, only 40 per cent of electrical appliances were sold through such affiliated dealerships. They still have their defenders, however, who note that local service back-up helps to offset the price disadvantage with superstores like those in Tokyo's Akihabara district.

Another development outside the purview of the Large Scale Retail Store Law is the popularity of convenience store chains like Seven-Eleven which opens a new outlet every day on average. These shops get the benefit of economies of scale but are still on the local level.

Miti is trying to help independent shopkeepers compete against larger rivals by encouraging them to band together into shopping centres which could offer parking space and by offering financial support for introduction of point-of-sale information technology. If anything, greater use of POS may enable deliveries to be made even more just-in-time.

With its Shop America home catalogue, Seven-Eleven is also pioneering direct imports, one way of breaking through the log-jam. Miti is encouraging such private initiatives through its World Shopping System Plan, a tacit admission that, for diplomatic reasons at least, more must be done to improve Japanese consumers' access to imports.

The Japanese Chamber of Commerce and Industry also concedes that the rebate system used in sales promotion needs to be simplified and clarified. But officials insist that many complaints from abroad mask impatience and a misreading of the Japanese market. Mr Shigeo Hashimoto, general manager of the chamber's distribution division, says: "For many years after the war, you could sell anything as long as you could carry it to the retailer, but now that Japan has reached a level of abundance, just having products there is no longer sufficient."

And certainly there is no shortage either of foreign companies willing to testify to their success or of Japanese horror stories about would-be exporters – usually US to give anecdotes the most impact – which are reluctant to adapt products for Japanese consumers and then complain about non-tariff barriers.

Foreign companies must grapple with an unfamiliar language, legal system and culture, but Mr Hashimoto argues: "It would be equally difficult for a Japanese company to come into a market with a new product."

Breaking into the market

Continued from page 6:
as the US Automotive Parts Industry Japan office, which is partly funded by the US Department of Commerce.

Still others rely on well-connected public relations' specialists such as James Rudy, a 16-year veteran in Japan, and Joseph Grimes, a former Honeywell executive who was president of the American Chamber of Commerce in Japan and now heads Hill & Knowlton Japan.

Such specialists are invaluable in teaching foreign executives not only how to lobby in image and propriety-conscious Japan, but also how not to lobby.

Take, for example, the role of outspoken US lawyers, a bulwark of Washington's Japan lobby – "foreign lawyers can't be of any real assistance in Japan," says a Western diplomat.

"American lawyers can't even accompany a company to a meeting with a bureaucrat because it could be construed as giving an opinion on Japanese law. And that's illegal for most of them."

A US lawyer who works for a Japanese law firm adds: "If a discussion with a bureaucrat becomes adversarial, as it often does in Washington, you simply won't get what you want."

Like lawyers, few Japanese or foreign companies employ women lobbyists, largely because most Japanese government and business activity is dominated by men.

There are exceptions, however. TRW Overseas Inc.'s government relations head, for example, is a Japanese woman, Keiko Hitotsuishi.

And Kumi Sato, president of Cosmo Public Relations, believes that as the granddaughter of a former Japanese Cabinet member, her ties with politicians and bureaucrats are invaluable in opening doors. Sato's clients include Control Data Japan, Nippon Motorola and tobacco giant R.J. Reynolds.

For all these foreign affiliates, legal restrictions on their activities appear to have tempered the once-prevalent practice of lavish entertainment and gift-giving rituals.

Political insiders acknowledge that gift-giving traditions, low bureaucratic salaries and massive financial requirements to mount election campaigns make it impossible to stamp out shady practices of either Japanese or foreign companies.

Such activities have given lobbying a negative connotation.

Even so, there is little doubt that foreign companies are finally awakening to the importance of understanding how the Japanese system works and trying to do something about it.

"Nagatacho and Kasumigaseki are still wide open for foreign lobbying activities," says Masatake Takahashi, a former State of California trade representative in Tokyo.

"But, even now, there's a lot more going on than you see on the surface."

Paul Addison

Experiences of overseas companies in Japanese markets: two case studies

Joining the system

CONSIDER two Danish companies in Japan: Lego built its position in the Japanese toy market brick by tiny plastic brick, with the aid of a local architect. Bang & Olufsen is using its inimitable design to carve a profitable niche in consumer electronics, an industry in which Japanese manufacturers dominate – not just their home market, but the world.

The fortunes of the two Danish companies illustrate some of the issues which foreign importers must confront if they wish to crack the Japanese market. Universal lessons cannot be drawn from their experiences, because each sector has its own distribution system and because every company has a distinctive competitive position, *writes Clay Harris.*

Two constant themes emerge, however, both at Lego and B&O and at other companies which successfully sell to Japan. The product must be competitive with local goods, not only on price and quality, but also on back-up service. No company, moreover, is going to bypass prevailing distribution arrangments. The system is evolving, but there are no short cuts. Many foreign groups over-estimate the potential demand for their products. But Mr Uwe Christiansen, vice president of Lego Japan, points out: "Japan is a saturated market. You can get anything in quantity and in good quality, so there is no *need* for any new product."

B&O has demonstrated what can be achieved with unique products – "I think we have been successful because we don't have much competition," says Mr Kazuhiko Okamoto, president of B&O of Japan.

"We focus on the very tip of the pyramid in consumer electronics. At the top end, most of the manufacturers are not as diversified as ourselves. We have been able to succeed with what people call Danish design and also with very early and deep understanding of remote control systems."

Its success is all the more remarkable since each of B&O's audio systems costs from Y1.5m to Y2.5m (£5,770 to £9,550). B&O sold more than 500 systems last year, and perhaps as quarter as many Beolink remote-control systems, which cost from Y250,000 to Y1m per room, depending on the chosen speakers.

Each has selected its distribution channels carefully. Lego supplies to all sizes of retailers, using the toy industry's normal wholesalers. B&O, however, supplies direct to retailers.

In Tokyo's bright electrical goods district B&O has its own room, near other premium products in the "hi-fi peer area," far away from the general cacophony. The link with Yamagiwa is useful, Mr Okamoto says, because of the retailer's emphasis on interior design; B&O systems are sold as much on their looks as on technical merit, which is up-to-date, but rarely at the cutting edge of innovation.

Lego, on the other hand, distributes through the toy industry's much-criticised multi-tier wholesale system which fills the back streets around its office in Tokyo's Yanagibashi district with small vans and stacks of cardboard cartons.

No complaints

Mr Christiansen has no complaints; the wholesalers perform a useful service, he says. Although Lego's salesmen advise each retailer what selection to stock, the wholesalers arrange all deliveries. Because of lack of space, most stores carry only the stock displayed on the shelves, so they need to be replenished frequently, in small lots and at short notice.

"Historically, all European countries had this system 30 years back. The reason it survives in Japan is that they are good, and they are quite efficient companies." However, Lego must eventually confront how it will supply Toys R Us, the US chain which wants to open a toy superstore in Niigata. The long-delayed plan has the toy manufacturers, wholesalers and retailers in a spin; they perceive, correctly, a potential revolution to their way of doing business. Lego has never had to confront the disruption of discount pricing, for example – "that's Japan," Mr Christiansen says. "What will happen when Toys R Us comes? I don't know. If I did, I'd be very happy. For the past 28 years, we've been part of that industry. We have to find a way, but what that way is, I can't tell you."

He is quick to admit Lego's position is not disinterested – "if you are in the system, you are an insider and then it works profitably, but you need time." Lego has exported to Japan since 1962. For the first 15 years, sales were handled by a company owned by Mr Makoto Kato, a veteran toy distributor who discovered Lego at a European toy fair in the 1960s.

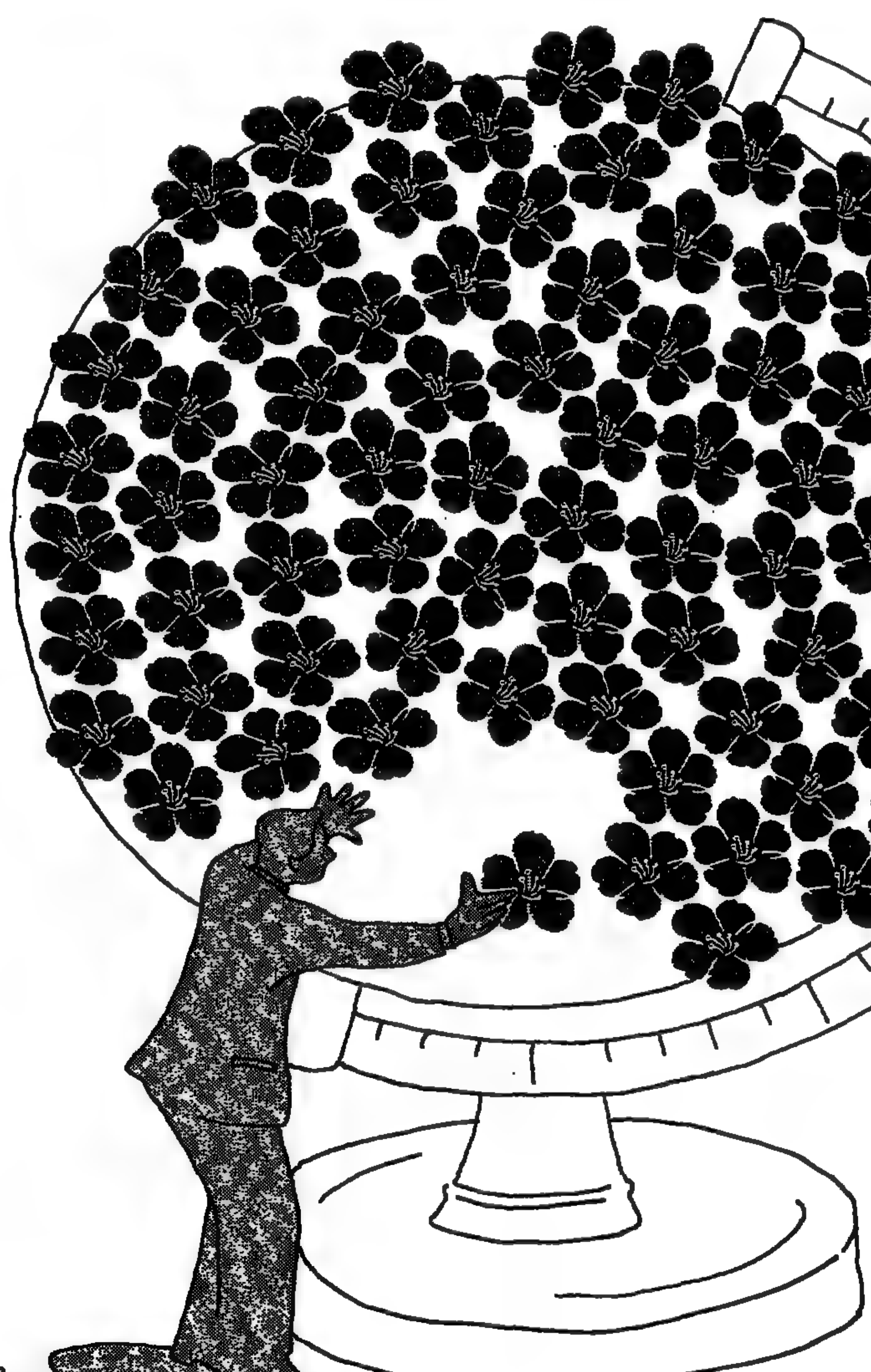
Initially, Lego was satisified with this arrangement, according to Mr Christiansen – "Japan is a far away country: 28 years ago, it was even farther away than today." But in 1977, Lego decided it wanted to run things itself. "This is a very difficult issue in Japan," notes Mr Christiansen, but it is one which arises often. In June alone, Meiji Milk and Borden ended their dairy products co-operation and Ralston Purina and Taiyo Fishery announced the dissolution of a pet foods joint venture. It is hard to get out of such existing arrangements without ruining contacts. Lego's solution was to make Mr Kato chairman of Lego Japan with a token 1 per cent shareholding.

Mr Kato, who eventually retired only in 1989, went around to all wholesalers and retailers to give his blessing to the change – "he was a very important bridge between the old system and the new system," says Mr Christiansen. "The first 10 to 15 people in Lego Japan were people who worked in his company."

B&O did not face this problem. Its subsidiary took over distribution from East Asiatic, the Danish trading company, in 1982. Mr Okamoto, who formerly worked in overseas marketing for Matsushita Electric, joined B&O late last year.

Both companies review pricing policy regularly. At B&O, Mr Okamoto is not happy that prices are at least 50 per cent higher than in Europe and yet believes they could be raised 15 to 20 per cent again without much effect on unit sales.

He intends, however, to edge prices down in coming years as higher volumes offset overheads and B&O introduces its TV sets and video cassette recorders to the Japanese market. Lego tries to harmonise its global prices. But with the surge of the Danish krone against the yen since last autumn, Lego is probably now cheaper in Tokyo than in Copenhagen.



Technology rules

■ The Japanese authorities are entranced by technology, both new and old. They are about the enter the already crowded commercial satellite launching business, they rigorously protect traditional skills, such as the subtle craft of making warrior's swords, and they are delighted that nuclear power generators can now be promoted as less environmentally troublesome than fossil fuel plants.

Rocket assembly under way at the Mitsubishi Heavy Industry plant at Nagoya.

Satellite-launching consortium formed

Horizons widen for space industry

JAPAN'S space programme is getting down to business.

With the establishment in May this year of a satellite-launching consortium among some of Japan's largest industrial and electronics companies, and with a major 'super-301'-related concession to the US on its government-funded satellite-development activities, the nation's space industry has effectively dispensed with its somewhat coy image as a fledgling, research-oriented venture and announced itself as a full competitor on the international scene.

It could be many years however before Japan poses a significant challenge in the commercial satellite-launching market. The new consortium, Rocket Systems, will handle the procurement and launching of domestically-produced rockets and satellites, operating in much the same way as Ariane Space.

It is led by Mitsubishi Heavy Industries and will eventually include over 70 other firms. Already, giants such as NEC, Toshiba, Nissan, Hitachi, Fujitsu and Ishikawajima Heavy Industries are involved.

The new firm will use the H-2 rocket, (manufactured by Mitsubishi), which is being developed – at a total cost of Y250bn – by the National Space Development Agency of Japan (NASDA), a body whose functions are similar to those of the National Aeronautics and Space Administration of the United States.

In addition to its late start in the field, the new enterprise will be handicapped by its reliance on the H-2 rocket which, owing to problems with its liquid fuel engine, has had its first launch delayed by one year, to early-1993. Other drawbacks to the H-2 include the fact that it will only be capable of launching a 2-ton satellite into stationary orbit, or a 10-ton satellite into low-earth orbit, a much smaller payload capacity than the United States' Titan-3 or Titan-4 rockets; its launching costs are expected to be about a third higher than its main foreign competitors, and the H-2's island launch pad at Tanegashima can be used on only 90 days of the year, due to an agreement with local fishermen.

A further limitation faced by the group is a Japanese law which bans the launching of military payloads, a lucrative sector of the commercial market. Despite these difficulties, Rocket Systems believes that its access to high quality technologies will enable it to establish a market foothold.

Economies of scale will also help. Dr. Masanori Honma, director of the R&D planning division at NASDA, comments: "Because we are limited by our annual government budget, we cannot place large orders for launch vehicles, as Ariane Space does, but obviously if the consortium is successful, several rockets can be ordered at one time and costs will fall."

Japan is also facing up to the realities of the marketplace in its satellite-development activities. Following lengthy negotiations with the US, Japan agreed, in April, that its government-backed development of satellites would, in future, be restricted to research satellites with a life-span of less than three years. Equal access to Japan's satellite market is also to be guaranteed for both foreign and domestic suppliers.

The longstanding controversy over Japan's government-supported satellite programs had been brought to a head by the involvement of the quasi-private firm Nippon Telegraph and Telephone Corporation (NTT) in the development of a communications satellite, the CS-4; due for launch in 1995. NTT was slated to provide approximately 75 per cent of the Y90bn cost of the CS-4 project.

Although Japan argued that the multi-frequency band satellite was designed solely for research purposes, the US countered, successfully, that it would have commercial applications that could be handled by its own satellites.

Dr Honma commented that since the CS-4 is only one of numerous projects being handled by NASDA, its abandonment would not be a major setback for his agency, though he suggested it could be "a serious problem for industry."

He added that, as a result of the CS-4 cancellation, some of NASDA's approximately 150 engineers would soon be moved into a newly-formed R&D design group to study mobile communications and data-relay and broadcasting technologies.

A number of NASDA engineers would be transferred on loan to the new rocket-launching consortium, once the initial H-2 development work is concluded in 1993. The most critical date for the H-2 program is now 1994, the deadline for the launch of the GMS-5 Geostationary Meteorological Satellite, which will replace an earlier unit.

In addition to NASDA's research satellite development programs, the agency is working on an unmanned winged space vehicle called the HOPE (H-2 Orbiting Plane) which will form the main Japanese contribution to the US-managed international space station, Freedom. The tentative HOPE launch schedule is for 1999, using an H-2 booster.

In June, Mitsubishi Heavy Industries announced it was setting up a joint study group with Daimler-Benz that would conduct research on, among other things, space technologies and ultrasonic aircraft.

Another new link-up concerns the Soviet Union's two Mars probes, due for launch in 1994. Japan has agreed to supply high-performance cameras which will be deployed from the probes and installed on the Martian surface. They will transmit pictures of the planet's surface, via orbitting satellites. The Y1bn development cost will be borne entirely by the Japanese; and NEC, Toshiba and Mitsubishi Electric are among the companies reportedly involved.

A company to recruit and train Japanese astronauts, Japan Manned Space Systems, has also been established to supply the astronauts needed for future space station activities.

But the first Japanese in space will probably not be one of its staff – a commercial TV station, Tokyo Broadcasting System (TBS) hopes to hand that honour to two of its staff reporters who are scheduled to make an eight-day journey to the Soviet MIR space station in December, aboard the Soyuz TM spaceship.

Roy Garner

Traditional craftsmanship: sword-making

Healthy order books despite high prices

Magoroku Kaneko: a living traditional treasure

ANYONE who thinks that Japan has become industrially sophisticated only in the 20th century should take a look at a 500 or 600-year-old Japanese sword.

These instruments, famous mainly for their crucial role in helping humiliated Japanese warriors disembowel themselves, are marvels of craftsmanship, made with finely tempered steels and shaped with astonishing precision.

Fortunately, the technique for making these swords has survived, and there are still some 500 government registered master swordsmiths toiling away in the country.

For a while, it was not obvious that the technology would survive. In the latter half of the 19th century, the administrators of the Meiji restoration, which brought an end to the Tokugawa era, outlawed the wearing of swords, and production plummetted.

It revived briefly during the early part of the 20th century as Japan became entangled in a series of wars, but at the end of the second world war, the US occupation government in Japan outlawed the production of any military equipment, including swords.

The career of Mr Magoroku Kaneko, perhaps the most highly regarded swordsmith in Japan today, reflects this tenuous history. Mr Kaneko, who works in Seki City in Gifu prefecture, now the main centre of traditional swordmaking, claims to be the 27th in a line of swordsmiths dating from the 13th century. However, there was a gap for several generations as demand for swords declined, and he was the first in his family in more than 100 years to return to the trade.

He started in 1926 at the age of 14, but had to leave the trade 10 years later to enter the armed forces, and was not allowed to begin work again until 1955.

Even then, demand was slack, so he could only do it part time. However, as affluence grew, demand picked up, as many Japanese wanted to have a sword as a family treasure, and he has been able to devote himself fully to his art since 1975.

The surroundings of swordmaking, at least in Mr Kaneko's case, are modest, to say the least. They consist of a couple of corrugated metal sheds with tools and supplies and a small, traditional style forging hut, with a handworked bellows feeding into a charcoal fire in one corner. The only concession to modern technology is a power press used to prepare the raw steel (tamahagane) for forging.

The technology is straightforward but time-consuming. A clod of tamahagane is attached to a steel handling rod and heated in the charcoal fire. It is then bashed and folded back on itself several times to build up a multi-layer structure in the metal.

For each blade, five such bars are required, one for the blade itself, two for the sides and one for the top. Each bar is forged more or less, depending on the properties needed – hardness for the blade, flexibility for the other parts – then the five are forged together and beaten out into the shape of the blade.

The forging process alone takes 10 days, and the whole process takes from 15 to 20 days, after which the sword is sent off to another craftsman for sharpening and then to a case-maker.

For a one kilogram sword, the swordmaker uses 10 kilograms of iron and 40 kilograms of charcoal. The government permits him to make only two swords per month, as part of its effort to prevent the quality of workmanship from declining. Average selling price is about Y1m (£3,740) per sword and Mr Kaneko's order backlog stretches forward about a year and a half.

It does not take great mathematical skills to realise that this is a profession only for the committed – "you do not get rich in this work, but you hope you make something that will last forever," says Mr Kaneko, whose scarred arms testify to a lifetime at the anvil. "I am not tired even after 50 years. Every sword is different; it is like a living thing.

"If I am upset, I cannot make a sword properly. I get very angry with some of them and melt them down." To help keep his mind in balance, he practices other Japanese traditional arts, calligraphy and zazen meditation.

Like any craftsman, Mr Kaneko becomes attached to many of his swords, but insists that he does not mind parting with them – "I always say I will make a better one next time."

He is an optimist about the future of the craft, pointing out that of the 500 registered swordmakers today, 200 are are in their 20s, one of them his own son – "he likes it. If he did not, I could not force him to do it."

Ian Rodger

Nuclear power generation is strongly advocated

A big surge in energy demand

JAPAN'S energy consumption is expected in the year 2000 to be 21 per cent higher than in 1988, a growth that requires the construction of an additional 40 nuclear power plants in the country by 2010, according to a June report of the Advisory Committee for Energy, a subsidiary body of the Ministry of International Trade and Industry (MITI).

The return of a rising trend in energy demand, to a level equivalent to 395m kilolitres of crude oil, is mainly attributed to inefficient energy-use and increased consumption in homes and offices.

The Natural Resources and Energy Agency) has outlined a Y25,000bn long-term energy saving programme, which it is claimed will reduce consumption by 11.2 per cent. But even with these measures, energy-use is expected to continue rising, to the equivalent of 444m kilolitres by 2010.

The reports's findings support those of an earlier study by Japan's Institute of Energy Economics, which showed that Japan's energy consumption rose by 6.8 per cent in fiscal 1988, outpacing GNP growth of 5.1 per cent.

It was the first time since the 1973 oil crisis that the balance between energy demand and economic growth had exceeded a factor of 1. The latest MITI report recommends that this "elasticity value" of energy demand must be brought down to an average of 0.42 by the year 2010.

Nuclear power generation is strongly advocated by the committee as a means to meet the needs of economic growth together with minimal damage to the environment. The Advisory Committee recommends that nuclear power should account for 16.7 per cent of total energy supply by 2010, up from 9 per cent in 1988.

If this is to be achieved, nuclear power plants will have to generate 72.5m kilowatts of electricity in 2010, compared with 28.9m kilowatts in 1989. This, in turn, will require the construction of approximately 40 new nuclear plants during the next 20 years, a difficult task in the face of a growing anti-nuclear lobby.

An important factor behind the nation's booming energy use is the irrepressible battle for market share among its primary energy suppliers.

Most Japanese electricity and gas utilities are private companies and these, having independently made considerable upward revisions of their original demand forecasts, are now boosting their supply capacity.

LPG suppliers and oil distibutors are slashing product prices to attract new custom and the electric power industry is aiming to spend Y19,000bn over the next five years to increase generating capacity for the summer peak periods.

The latest energy demand figures have re-awakened fears among the Japanese over the nation's uniquely high dependence on foreign energy sources (Japan relies on foreign producers for over 99.7 per cent of its oil needs, the highest level among the developed nations).

The Advisory Committee report calls for tax incentives, legal changes and other measures to stimulate the use of alternative energy technologies, in order to reduce this level of dependence.

It notes that some of these technologies, such as solar batteries, fuel cells, methanol-fueled car engines and geothermal power generation are already in practical use, and adds that high initial costs have usually been the main factor preventing their wider use.

Inefficiency in energy-use is another key theme of the report.

While Japan's industrial sector is considered to be among the most energy-efficient in the world, the situation is very different in the non-industrial sphere where, estimates suggest, a mere 35 per cent of the total primary energy supplied is used efficiently.

This situation, combined with the dramatic surge in energy demand, presents an embarrassing dilemma for Japan, now that international consciousness of energy-use – and of the links between economic activity and environmental pollution – is at an all-time high. Japan is already in the spotlight as a key cause of, among other things, the destruction of South East Asia's tropical rain forests.

The Natural Resources and Energy Agency has responded with a proposed Y25,000bn project to promote the recycling of thermal energy from incineration plants, subways and other sources.

Under the plan, approximately Y8,000bn would be appropriated for the project in fiscal 1992 and a further Y17,000bn in 2001.

In one of the initial ventures, a Y10bn scheme would begin in 1992 involving the construction of model thermal energy recovery plants at seven or eight sites across the country. These would include use of reclaimed land on Tokyo Bay, Osaka's Minami port and Seaside Momochi, in Fukuoka.

The harnessing of unused thermal energy would, it is claimed, also bring a reduction in consumption of petroleum and natural gas, thus decreasing the amount of carbon dioxide released into the atmosphere.

Research is also planned into methods to extract thermal energy emitted from nuclear power plants and from melting snow.

The agency claims that even partial completion of the programme could facilitate a cut in the amount of fuel needed for household use by 21 per cent by 2001, together with a 1.8 per cent reduction in carbon dioxide emissions.

Natural Resources Agency spokesman, Yasuhiro Maeda, confirmed that another of the energy-saving measures now being passed on by his agency for consideration by the Prime Minister's Office is daylight-saving time.

Japan and Ireland are currently the only members of the OECD who have not adopted the system. The Agency estimates that introduction of daylight-saving could save 300,000 kilolitres of crude oil for lighting and 48,000 kiloliters for air conditioning, each year.

Maeda said that public opinion on the issue will now be ascertained through the use of questionnaires and study meetings.

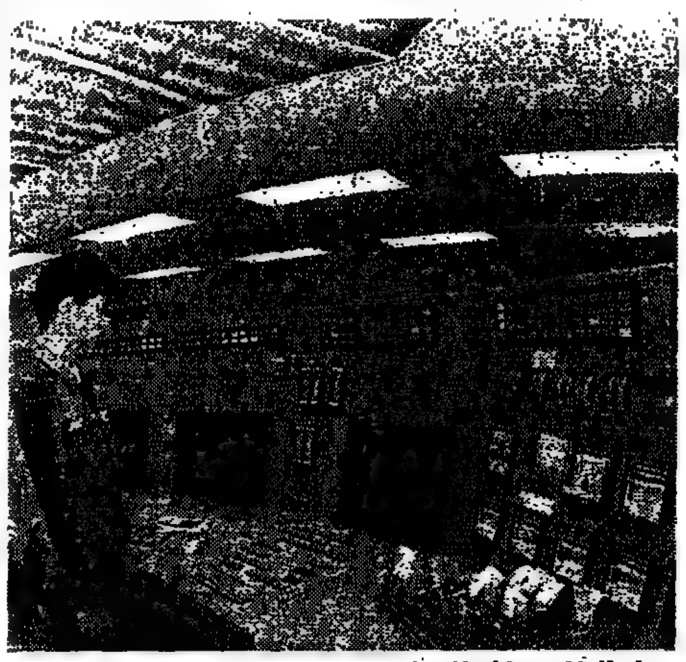
Among the alternative fuel sources being investigated is Orinoco tar, a natural fuel, found in Venezuela, which has a constitution roughly between that of oil and coal.

The Chubu Electric Power Company, in co-operation with Mitsubishi Heavy Industries, recently announced that its researchers had found a way to convert the tar into a liquid mist, making it usable for the 2mhl power generation.

It was also found that sulphur and nitrogen, emitted during combustion, could easily be removed.

Since vast quantities of the tar exist in Venezuela, the substance is seen as a potentially significant new fuel source.

Roy Garner



Part of the main control panel at the Kashiwazaki Kariwa nuclear power station.

The housing market

Daunting barriers for first-time buyers

THE WHEEL of fortune spins several times each week for thousands of middle income Japanese looking for an affordable step up the housing ladder, either as tenants or owners.

The Government's Housing and Urban Development Corporation builds 25,000 units each year, targeted specifically at these people. But because the houses and apartments are rented or sold below market price, applicants always outnumber vacancies by great numbers. Since its creation 35 years ago, the HUDC has resorted to lotteries to reconcile supply and demand.

Last month, in Tokyo's Shinjuku district, Mrs Junko Ozawa, trying for the 15th time to secure a larger apartment for herself and her husband, had a central role in the selection of the winners of new rental flats on offer at two housing developments 25km and 35km from the centre of the capital.

She and another applicant checked each white plastic ball and supervised their insertion into a red hexagonal box. Then Mrs Ozawa turned the wheel, a bell pinging with each rotation. Every second time, a ball popped out, to be vetted carefully before its number was called. However, on this occasion, even before the computer worked out all winning permutations, the 14 hopefuls present knew none of them would be able to shout "house."

Mrs Ozawa and her counterparts were not surprised they had not hit bingo. For the 176 winners in that day's lottery, there were 12,224 losers. Each apartment attracted an average of nearly 71 applications, although nearly 100 hopefuls were chasing each of the 12

In June, 4,517 people applied for a single three-bedroom apartment on offer for Y45.4m (£175,000)

two-bedroom flats on one estate. If the apartments had been for sale, rather than rent, the over-subscription would have been more dramatic, but no less unusual.

In another drawing in June, 4,517 people applied for a single three-bedroom apartment on offer for Y45.4m (£175,000) in Kohoku New Town, more than 20km south-west of the centre of Tokyo. A total of 29,229 people applied for the 115 units sold that day, an average of more than 278 per flat.

The 115 lucky people joined the 6,500 households last year for whom the HUDC's lottery programme guaranteed an eventual windfall profit.

Mr Yasuhiko Harada, section chief of the HUDC's application planning department, says the Kohoku apartments could immediately fetch 50 per cent more on the open market if their owners were free to sell. However, they have to wait five years unless they are transferred or demonstrate another "unavoidable reason" for needing to move.

The 25,000 houses and apartments built for sale or rental each year by the HUDC comprise a fraction of the country's housing market. But the lottery appropriately illustrates the long odds faced by the ordinary Japanese household in finding spacious affordable accommodation in a convenient location. Many must commute two hours each way to meet their budgets.

Japan is not short of housing overall. Since the end of World War II, when there was a shortfall of 4.5m units, energetic public and private sector building programmes have increased the housing stock to the point that 10 per cent are empty. The HUDC, with a budget last year of Y1,160bn, has built 1.3m dwellings since 1955, of which it rents out 700,000.

About 3m of Japan's housing units, however, do not meet minimum standards either for resistance to fire and earthquake or for living space per person – "we are shifting from quantity to quality," says Mr Ichiro Kuriyagawa, the HUDC's co-ordinating officer for international co-operation.

For most people wanting to reach the first rung of home ownership, soaring land prices in the late 1980s have raised a daunting and increasingly insurmountable barrier. More than 86 per cent of young adults told a survey in March they had given up hope of ever being able to buy a home in metropolitan Tokyo without assistance from a relative.

In the same month, the Urban Development Association said the average condominium price in metropolitan Tokyo in 1989 was 8.9 times the average annual gross income. SBCI, the stockbroking arm of Swiss Bank Corporation, estimates the average price in the Tokyo area will reach Y65m (nearly £250,000) in 1990.

This explains why more than 4,500 people applied for a three-bedroom HUDC apartment in Kohoku priced at 70 per cent of that figure. The flat is only 18 minutes' walk from a station on a popular railway which runs directly into the centre of Tokyo on a track shared with a subway line. The interest rates and deposit conditions are more attractive than in the private sector.

But might not more housing be built if apartments were priced more in line with the market? The HUDC is bound by government policy which specifies that rents and prices must be linked by formula to costs, which in recent years have lagged behind the rise in the market. The HUDC, however, can set prices up to 30 per cent higher than the formula – and often does around Tokyo – without application to the Ministry of Construction.

"Although we are a non-profit organisation, we can't lose money either," says Mr Kuriyagawa. The HUDC, moreover, is already open to criticism that its rents exclude people who earn just over Y4.2m (£16,100) per year, the upper limit to qualify for low-income housing. Some tenants are also tempted to stretch beyond their means. Last year, 8,000 were taken to court after falling eight months in arrears non-payment and 2,300 were evicted.

Fewer than half the purchasers of HUDC homes are first-time buyers, and the huge number of applicants is undoubtedly swelled by greed rather than need. Although the HUDC requires owners to occupy their homes within a month of purchase, Mr Kuriyagawa admits: "Most people have speculation in mind."

The agency tries to limit the opportunities. For example, it foresaw that waterfront apartments on Tsukudajima in Tokyo Bay would attract residents similar, shall we say, to those in London's docklands before the property slump, so it refused to sell any of the flats, retaining all as rental units.

It has also modified its policy on rents, which at one time were never increased during a tenancy. It now reviews them every three years to ensure

For the 176 winners in one day's lottery for apartments to rent, there were 12,224 losers

they are not too far out of line with its newer developments in the same area. However, rents are rarely increased in two successive reviews and would never be raised without an accompanying refurbishment, Mr Kuriyagawa says.

Rents in new developments, like that being sought by the Ozakas, increase in steps over each of the first five years.

Starting monthly rents on the two estates being allocated in mid-June ranged from Y58,100 (£225) for a one-bedroom flat to Y164,100 (£630) for an apartment with four bedrooms plus a spare room. Not only were they extremely competitive with the private sector, they had another important advantage.

HUDC tenants do not have to pay commission to agents or "key money" to landlords.

At Kyowa Homes, a rental agency in Tokyo's Shibuya district, Mr Tetsuro Itoh says most private tenants must pay the equivalent of six to eight months' rent just to take possession of an apartment. Of this total, only one month actually is applied towards rent, and one is a security deposit. The rest goes for non-refundable fees and charges. Every two years, the landlord takes a month's rent as a renewal fee.

But for HUDC applicants who despair that their number will ever come up, Mr Itoh says he can find apartments for most clients within a week, once they lose unrealistic expectations. (Estate agents the world over speak the same language).

Mr Itoh, or a competitor, may soon be receiving a visit from Mr and Mrs Ozawa. They were losing hope in the lottery, she said, and would resort to the private market in order to get something larger than their 45 sq. metre one-bedroom apartment.

On the other hand, five more unsuccessful applications will qualify the Ozawas for the HUDC's club of 20-time losers, who get priority on certain vacant apartments.

Clay Harris

Variations on rabbit hutches

■ For most young Japanese, the dream of living in a spacious house has evaporated in recent years as land prices have soared. If you have the equivalent of £2.6m, you might buy a small, but high tech, house in suburban Tokyo.

■ Others can do almost as well by winning one of the regular council house lotteries. Neither option may be enough to stem a worrying social cleavage between the "haves" and "have-nots."

The new house is located in the Tokyo suburb of Kugahara. Land price is a big element in the cost of the project.

For sale: a modest sized house in Tokyo for £2.6m

ON A typical narrow street in a typical Tokyo middle class suburb, a modest-sized new house has been squeezed in between two others.

It has a pleasant, if unprepossessing, stone facade, and appears to fit in with the nondescript adjacent houses with their faded exteriors, laundry hanging out to dry and futons draped over balconies to air.

Only the lack of windows facing the street suggests something out of the ordinary. And this house certainly is out of the ordinary. It goes down into the ground two stories as well as going two stories up. It has a two-storey, electrically controlled car park and virtually every gadget known to man.

Moreover, the builder, Mr Kazunori Hirokawa, is asking Y685m or about £2.6m for it.

For £2.6m, one could probably buy the stately home of his choice in the UK. In the southwest Tokyo suburb of Kugahara, you are being offered 321 sq.meters of floor space, a tiny garden and a one hour commute to the centre of the city.

In fairness, Mr Hirokawa, who has a comfortable business building and selling houses one at a time, has put a lot of care and effort into the construction of the house.

Hardwood floors are beautifully laid, bathrooms exquisitely fitted, the kitchen even has a hatch in the floor leading to a mini cold cellar. On the second floor, a small Japanese style tatami room looks out on a traditional style stone garden where water flows along a miniature stream.

But the big element in the cost of the house is the land. Mr Hirokawa paid about Y240m (£1m) for the 237 sq. meter plot, then a parking lot, three years ago. And since then Tokyo land prices have increased by about 40 per cent.

Mr Hirokawa put the house on the market four months ago at Y950m, but has since cut the asking price because of a slump in the market caused by government moves to stem land speculation.

However, he is not distressed by recent predictions in some quarters that Japan's sky high land prices could collapse – "in Tokyo, there are no worries about land prices. There are lots of rich people, and the supply of homes is still very tight."

He suspects the Kugahara house will be bought by a person who runs his own company, probably with international business connections, who can use it as an office.

"He could work at night in the deepest floor, even hold meetings, and nobody in the rest of the house could hear him," he says.

The Kugahara house is the second luxury house Mr Hirokawa has built. The other is squeezed into a similarly small plot and was a snip at Y450m. It was on the market for over a year before being snapped up last month for Y390m.

"The number of potential buyers for this type of house is very small. It is a nuisance really. I am going back to building ordinary houses to order," Mr Hirokawa says.

Kazunori Hirokawa

Ian Rodger

Fervour rises over environmental issues

Overcome by green fever

JAPAN has joined the rest of the industrialised world in its crusade to protect the environment, somewhat belatedly, but with customary fervour.

Japanese consumers and industry alike have been overcome by green fever and the Press has been churning out article after article to satisfy a growing appetite for literature on environmental issues.

The Government's white paper on the environment has become something of a best-seller with nearly half the entire first print sold in the first two weeks after publication.

Products made from recycled paper, which was long considered suitable for only low grade products, have been a big success. A leading supermarket chain reports that biodegradable shopping bags which recently appeared on it shelves, despite being more expensive, have been selling twice as much as ordinary plastic bags.

Industry's response to the global environmental movement has been swift. Most of Japan's leading corporations have set up in-house groups to deal with environmental issues.

"Corporations realise that in order to survive they have to stay ahead in world trends," says Mr Hisakazu Kato, head of the Office of Policy Planning and Research in the Environment Agency. The Agency has been receiving numerous calls from companies asking about specific ways in which they can help protect the environment.

Many companies with global operations have set up R&D facilities devoted to environmental concerns. New developments in pollution controls or alternative energy sources are announced almost daily.

The ministries also have their own environmental pet projects. Last year the Ministry of International Trade and Industry set up its Global Environmental Affairs Office and the CFCs Policy Office.

The Environment Agency has started a program to encourage eco-businesses, that is, businesses which provide products or services that contribute to environmental protection. It is also awarding an "eco-mark" to products that are environmentally friendly.

Much of this new-found green-consciousness in Japan is, of course, superficial – nothing more than an enthusiastic embrace of a western obsession by a nation that considers itself and wants to be considered a member of the world's elite.

Long-time environmental activists, like Mr Mitsuru Inaba, who heads a grassroots political organisation, are sceptical of the sudden show of concern – "this is not a movement that has grown from inside the country," he says.

Despite the recent outburst of interest, consumer awareness still lags far behind levels in western countries.

In a recent survey, only four per cent of Japanese consumers said they would buy environmentally-friendly products if they were 50 per cent more expensive than other products, compared with 12 per cent in the US and 20 per cent in West Germany.

Also, there is a certain muddle-headedness about the whole issue among many consumers. Many consumer items are now being promoted as environmentally-friendly; even clothing featuring plant and animal designs – and labelled "the ecological-look" – is selling briskly.

"Our concern is that this superficial 'fad' is going to end," says Ms Komichii Ikeda, a senior researcher at the Environmental Research Institute, a private think-tank. Corporations are still interested mainly in the business opportunities available or out of a need to promote a responsible corporate image.

The major trading companies, for example, have set up in-house teams to study the environmental issue, but they have continued to ignore international calls to restrict their logging of tropical timber, which is destroying the tropical forests of southeast Asia.

"From our viewpoint," says a spokeswoman for Friends of the Earth in Japan, "they aren't doing anything to deal with the problem."

The Government appears eager to assume a leading role on the issue in the international arena but is still divided over its own environmental policy. The influential Ministry of International Trade and Industry continues to dispute the Environment Agency's assertion that swift controls on carbon dioxide is compatible without continued economic growth.

What is more, the environment is not yet a political issue in Japan. The Diet has been tied down with other issues, such as the consumption tax, the controvery over Japan's rice market and land reform.

Part of the difficulty in dealing with the problem of pollution is that the present deterioration in the environment is brought on to a large extent by the conveniences and luxuries of the modern lifestyle that the Japanese have grown accustomed to – the disposable good, the larger, less energy-efficient cars.

The Environment Agency states that 70 per cent of the substances polluting the water of the Tokyo Bay comes from household sewage, most of which is untreated kitchen, bath and laundry water.

"In the past, the target of criticism was clear," says Ms Ikeda. There were specific companies that caused pollution and the government could regulate their activities.

"Now, however, it is more the general public that is at fault and the relationship between polluter and victim is not so clear cut any more."

As a result, there is a temptation to try to push the greater part of the blame onto others.

"We have long pointed out that industry has been forced to reduce waste while there is no restriction on household waste," says Mr Tachibana at Keidanren.

The Government also emphasises the importance of consumer awareness – "infrastructure investment is necessary," says the Environment Agency's Mr Kato, "but each household has to make efforts too."

Consumer groups, for their part, accuse industry of pursuing profit at the expense of people and criticize the Government's delay in dealing with the problem.

None the less, beneath all the commercial fluff and finger-pointing, there is at least some grounds for hope that the seeds of the green movement that have been planted by the west will bear some lasting fruit in Japan.

Pressure from environmentalists recently halted the construction of a major resort in northern Japan. Concern among residents living near golf courses led Chiba Prefecture to outlaw the use of pesticides on new golf courses.

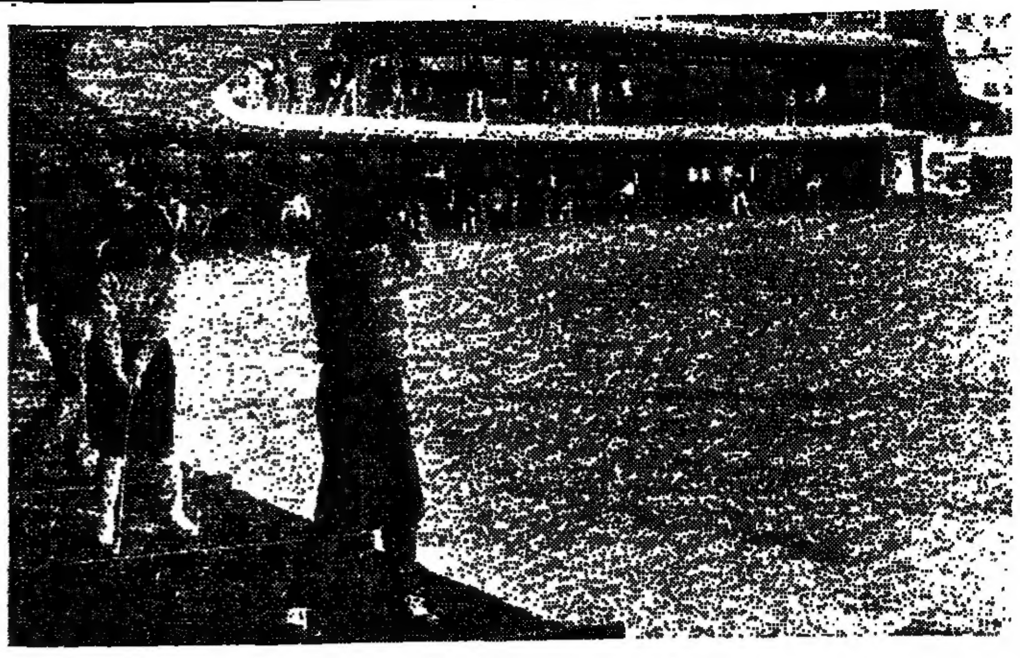
The globalisation of Japanese industry has meant that more companies come under the scrutiny of highly critical consumers in the west and environmental activists who work internationally.

Michiyo Nakamoto

Environment fad

Japanese have often embraced Western trends with thoughtless enthusiasm, and some think that is the case with the current green fever, which has produced, among other things, "the ecological look". But industry moves to stop using CFCs are real as is Chiba prefecture's ban on pesticides on new golf courses.

Pressures on the golfing community



Players practice on a "multi-storey" golf driving range in the Tokyo area.

LATE in May, Mr Takeshi Numata, governor of Chiba prefecture immediately to the east of the Tokyo metropolitan area, stunned Japan's fanatical golfers by announcing a ban on the use of chemical fertilisers, pesticides and herbicides on all new golf courses built in the prefecture.

Mr Numata's move was the latest and certainly toughest indication of the increased Japanese sensitivity to environmental issues these days, although many people think other new political trends – such as envy – come into play on this particular issue as well.

Golf in Japan is not so much a game as a vital part of business and political life. It is on golf courses, in between polite murmurs of "nice one" and "nice putt", that relationships are cemented and plots are hatched. Seventeen of the 20 ministers in the cabinet of Prime Minister Toshiki Kaifu are members of golf clubs.

However, because of Japan's overcrowding, there are not enough golf courses to meet the demand. As a result, golf club memberships are fantastically expensive – the top 100 clubs around Tokyo cost an average Y25m (£94,000) to join – and so most would-be golfers have to content themselves with practicing their swings at one of the many multi-storey driving ranges around the country or in a phantom sort of way on underground station platforms. In recent years, another consequence of overcrowding has been skyrocketing property prices in urban areas, making it impossible for most home hunters to be able to buy their own houses in the cities.

They are being forced to move further out to the suburbs where, to their dismay, they are finding prices are also moving out of reach. For these people, the idea of 100 hectares being gobbled up for every new golf course in bedroom prefectures, like Chiba, must be galling.

However, the initial manifestation of opposition to golf courses has been in the form of an environmental protest. The excessive use of chemical fertilisers, herbicides and pesticides on them, it is argued, is causing a run-off of these chemicals, contaminating adjacent rivers and agricultural land.

Media reports of fish dying mysteriously in rivers near golf courses have fuelled public anxiety. Another environmental complaint made against golf courses is that it is wrong to destroy scarce forests to create them.

All of this has taken both the government and the golf community by surprise, and responses are only beginning to be put in place. Authorities in Gifu prefecture – a suburban area outside of Nagoya – believe the chemical contamination problem has been blown completely out of proportion.

For one thing, according to Mr Nobuyuki Furukawa, director of the agricultural technology section in the Gifu government, all agricultural chemicals used by golf courses, like those used by farmers, have been approved by the national government.

A year ago, the Gifu government carried out a survey of all 56 golf courses in the prefecture. Among the findings were that 1.5 tonnes of chemicals are used per year on the average 18-hole course. This was slightly below the 1.9 tonne national average, but no one knows why. Usage varied widely, with five courses using less than 500 kilograms a year and 14 using more than 2 tonnes. Officials also checked the quality of the water in ponds on the courses and in sewage outlets. No traces of agricultural chemicals were found in any of them.

Nevertheless, Gifu officials have begun an education programme for golf course operators, encouraging them to water-down their chemicals.

So is Chiba over-reacting? Mr Furukawa, who is not a golfer himself, does not answer directly, but he *does* say that in Japan's wet climate, it is impossible to control the quality of turf, on greens especially, without chemicals. He also wonders if the Chiba authorities were simply trying to stop further development of golf course.

Mr Akira Ohashi, assistant manager at the Japan Rhine Golf Club near Nagoya, says that experience has taught him and his colleagues that excessive use of chemicals, especially weed killer, damages the turf, so they tend to water them down and have employees go out and pick weeds by hand. They also believe – even if poor golfers do not – that ponds are helpful, as the sun on them breaks down the chemicals in the water.

Are the protesters over-reacting? "There have been no incidents yet in Gifu. There have been cases of fish dying, but golf courses had nothing to do with it," Mr Furukawa says. He suspects that resentment has something to do with it – "up to now, users of agricultural chemicals at least produce agricultural products. Golf courses produce nothing."

Ian Rodger

Japan's fashion industry aims for world markets

A serious, fast-paced business

THE ROOM, filled with brightly-dressed, chattering teenagers, busily creating an assortment of outlandish-looking hats and accessories, has the appearance of a sophisticated playroom.

One petite, pigtailed girl painstakingly irons the petals of a large pink rose before carefully attaching it to a wide-brimmed straw hat, while beside her on the floor squats a young man all in black, a heavy silver crucifix dangling from a chain round his neck, as he puts the finishing touches to an elegant Juliet cap. All the students are intent on their work for, however it may appear, this is far from frivolous.

The scene is a third-floor workshop at Japan's number one fashion and design college, and the students are tomorrow's Kenzos, Yamamotos and Miyakes – potential high-profile, high-earning leaders of world fashion trends.

Fashion, once considered at best an artistic alternative and often an easy option for those incapable or unwilling to struggle with harsh Japanese college entrance exams, is now a serious, fast-paced business. More and more young Japanese are trying to edge their way into the competitive, high-tech and lucrative industry – and most feel confident that the average Y1m annual fees charged by the country's top fashion schools will reap, at the very least, adequate rewards.

Japanese designers and distributors, who previously took their cues from Paris, Milan and London and generally lacked the confidence to introduce innovative or novel ideas, have blossomed in recent years.

The Tokyo fashion scene is highly-computerised at all levels – from the design stage, through cutting and machining to inventory control and distribution – and the varied line-up of confident, successful designers knows its market well. The purchasing method most common in Japan differs to that used in the West: buyers, guided by the designers' staff, select a representative sample of the range being presented in a selection of sizes.

Unlike their Western counterparts, they do not part with any money up front, and can rest assured that any slack sellers or unpopular lines can be returned and replaced with alternatives.

Although buyers can dictate to a certain extent, final accountability rests with the designers – who are therefore under a great deal of pressure. But designers themselves differ from those in the West, often acting more like retailers – owning sales outlets, selling franchises and setting up their own mini-stores inside large department stores.

The cream of Japan's fashion schools aim to become world-class designers with their own companies and sales outlets around the globe. But many will settle for less glamourous, though only slightly less profitable, careers in pattern-making, distribution and marketing for large trading companies.

Nearly 2,300 students graduated from Bunka Fashion College, the doyen of Japanese design schools, last March. The college, located in Shinjuku, Tokyo's main business and entertainment district, has been the breeding ground for some of the country's most successful fashion designers and entrepreneurs since it was founded in 1919. Among its many distinguished former students are Kenzo Takada, Yohji Yamamoto, Mitsuhiro Matsuda and Masaaki Kawashima.

Mr Ryukichi Furuta, the college principal, says some of the 2,500 students who enroll each year,(including some 300 foreigners, mostly from Southeast Asia) will inevitably drop out before completing their courses – "this is a very tough business now – you have to work hard, sharpen your skills and persevere when times are hard," he cautions.

One of the more than 300,000 students to pass through Bunka College in the past 81 years was Mitsuhiro Matsuda, founder of the Nicole and Matsuda lines. He graduated alongside Kenzo in 1961, and after working together at a small custom-made apparel company in Tokyo, the pair set sail on a slow boat to Paris.

Teenager in Tokyo inspecting imported Italian fashions.

After spending a couple of months, "soaking up the atmosphere," Mr Matsuda returned to Tokyo – "completely broke." Soon after, having borrowed capital from his father, a kimono textile distributor, he opened his first women's clothing shop, Nicole, inside a large Tokyo department store.

Emphasising what he terms "casual, comfortable elegance," his brand became very popular, and he was soon branching out into bed linen and menswear. The company began exporting to Canada and the US in 1981, and a year later opened its first overseas store, on Madison Avenue, New York.

Mr Matsuda is now the chairman of a large, international fashion house – known in Japan as Nicole, and in the West as Matsuda – which designs, manufactures and markets his eight clothing lines. The outlets in London include those within stores like Harvey Nicols and Browns.

"There is a difference between doing business in Japan and in the West," he says. "In Europe and the US, buyers are very serious and knowledgable – they have to be because they are at risk of losing everything, having paid 100 per cent for merchandise they selected.

"Overseas, we don't accept any returns unless the goods are badly damaged although in Japan, the system is not quite so cut and dried."

Another variation Mr Matsuda finds between East and West is the fact that in Japan, the managers of the outlets themselves choose collections for their stores.

"They are generally young, fashion-conscious people and they know exactly what is happening on the street, trend-wise," says Mr Matsuda. In Europe and the US, where many of his designs are sold through large department stores, the buying is often done by computer.

A measure of the Japanese fashion industry's growing confidence was the success last year of the World Fashion Fair, a nine-day event held in three Japanese cities. More than 280,000 people squeezed in to inspect a presentation of the world's five largest collections – Paris, Milan, London, New York and Tokyo – and six pavilions housing exhibitions from 35 countries.

The imported fashion business in Japan is also gradually changing. Within the past year or so, large trading companies – buoyed by Japanese consumers' yen for luxury goods – have started to embark on ten-year contracts, instead of the previous three or five-year deals.

The Japanese Ministry of International Trade and Industry (MITI) recently announced that it was considering establishing what it termed a "fashion university" to boost the industry in the face of expected competition from newly industrialising economies in Asia, so the continued growth of the Tokyo fashion scene appears to be well in hand.

Marline Gannon

Sound minds and bodies

■ Japanese live longer lives than most, but the increasing popularity of Western fatty foods is joining excessive salt intake and high smoking rates among public health concerns. Japanese also probably learn more than most, thanks to their intensive, competitive education system, but pedagogues now want to promote creativity, too.

Educational system

Reservations over style

JAPAN'S educational system is widely envied around the world for producing entire generations of highly qualified, well-trained people – for underpinning, in fact, the remorseless rise in Japan's economic power.

There has always been a suspicion in the West that there is something factory-like about the Japanese educational machine, but whatever failings of this kind did exist were far outweighed by the sheer quality of the product.

Yet there is more to the West's suspicions than envy or even cultural differences. Japan itself nurses growing reservations about both the style and system of its education, particularly the strict regimentation of the curriculum, and the intense competition that forces children to spend virtually all their waking hours poring over their schoolbooks.

Ironically, one hears increasing discussion about the merits of a more western-style approach. The sense that change might be needed grew during the 1980s. In 1984 Mr Yasuhiro Nakasone, the prime minister set up a National Council on Education Reform to advise on changes.

He said there was a danger that Japan's schooling was becoming too rigid, that children were judged almost exclusively on their academic background, that the curriculum lacked international scope and – most worrying of all – that school violence and juvenile delinquency were on the increase.

Over the next three years, the Council produced a series of reports which concluded that there were indeed deep-rooted problems in Japan's schools, particularly that individuality was being stifled by a tightly imposed and bureaucratically designed curriculum, that children were under incredible pressure to pass exams and get into the right schools and universities, and that, as a result, creativity was lost.

The Council produced an enormously long list of recommendations which basically fell into four categories: 1, measures to "humanise" the educational environment; 2, transition to a "lifelong" learning system to break the stranglehold of exams; 3, make education more international; and 4, coping with the information age.

That was in 1987. Since then there has been a lot of debate about change, but not, it seems, an enormous amount of action. In some respects, the situation seems to have got worse. The Japanese Press is full of stories about schools imposing petty rules about length of hair and styles of dress; meanwhile, truancy and drop-out rates are rising. Because the ultimate aim is to get into a top university, competition cascades down the educational structure as pupils strive to get into the elementary school which will get them into the high school which will get them their place.

This competition has even extended down into pre-schools. Many people have also seen a worrying regression towards nationalism in recent moves by Monbusho, the Ministry of Education, to encourage schools to sing the National Anthem and salute the flag. Japan's recent efforts to achieve political rapprochement with neighbours like Korea have also shown up the gross distortions in Japanese teaching about the events of World War Two. The young generations of Japanese children were simply unaware of the atrocities committed by their country at that time, and have been bewildered and shocked by the gradual emergence of the truth.

Six-year-olds answering questions in their classroom

Several obstacles stand in the way of change. One is Monbusho itself, reputedly one of the most conservative ministries in Tokyo. The first thing Monbusho did after the Nakasone report came out was set up another council of its own to study the implementation of the proposals – a sure sign that progress will be slow.

"Changing the educational system is not easy," admits Mr Tetsuro Sugiura, planning director, at Monbusho. Another is the attitude of Japanese society itself. The vast majority of Japanese (80 per cent) want their children to go to university, and this is heavy drag to reforms which would place less emphasis on exams and try and instil a more liberal educational tradition.

For example, one suggestion is that the present six-day school week should be cut to five. But there are worries that if it is, Japanese parents will merely send their children to crammers on Saturday morning to keep their noses to the grindstone. Nonetheless, there are alternatives, though these are mainly outside the state system.

Mr Masaomi Maruki is the headmaster of Wako Gakuen, a private elementary school in the Tokyo suburbs where they run a more liberal regime, free from Monbusho's direct command. Unlike most Japanese schools, the atmosphere is relaxed and noisy, the children do not wear uniforms, and lessons are conducted by means of debate and discussion rather than shovelling facts. A recent visit I made there on a sunny afternoon reminded a little of my own children's schools in north London.

"Our philosophy is that all children are capable and have potential. We want to bring out that capability," says Mr Maruki. He contrasts his approach of "bringing out" the best in his pupils with the official one of "putting information in."

He is proud of the fact that many of his pupils end up becoming composers, educationalists and theatrical directors, rather than accountants or plant managers. The school has lessons on the environment, human sexuality and "peace and war."

But Mr Maruki is worried that "nothing is happening" on the broader front of educational reform, and at the worst, he fears, this will bring about a return to national militarism in Japan. Wako parents tend to be middle class professionals.

David Lascelles

Efforts to promote health and welfare programmes

Emphasis on diet and exercise

MRS SATSUKO EHARA is a long-serving volunteer on the front line of one of Japan's most important battles. Behind a stainless steel kitchen counter and armed with cleaver and wok, she fights to instil more healthy eating habits in her compatriots.

She meets little resistance from the three dozen women gathered for a cookery class at the Ebina Public Health Centre in Kanagawa prefecture west of Yokohama.

"I'm going to cook this at home tonight," says one of Mrs Ehara's satisfied students.

"Usually I put sugar in this kind of salad – cucumber, seaweed and slivers of ginger dressed with soya sauce, sesame oil and vinegar – but I found out today it's not necessary."

Another was impressed by the recipe for cooking pumpkin in milk rather than the usual soya sauce or salty fish stock.

This is music to Mrs Ehara's ears. She chairs a 3,400-member network of volunteers in Kanagawa, one of 34 affiliated groups in Japan working for better nutrition. The branches receive support from local authorities in the form of facilities and a food budget, but all the members donate their time.

Improving diets, especially by reducing salt consumption and increasing fibre intake, is a government priority as it tries to cope with a rapidly ageing population. The Japanese already have one of the highest life expectancies in the world, but dietary changes since World War II are now being reflected in a distribution of diseases more similar to Western countries.

Particularly worrying is the high maternal death rate, 13.5 per 100,000 births in 1986, against 3.3 in Canada and 7.2 in the US. This is one of the few medical statistics where Japan comes off badly compared with other industrialised countries.

"We have to decrease this death rate," says Dr Kyuhei Kotsake, deputy director of the Health and Welfare Ministry's health promotion and nutrition division, who attributes it to the high incidence of hypertension among the Japanese, because of a combination of genetic and dietary factors.

"It's really difficult to get the Japanese to reduce salt in food," he says, because it is in such basic ingredients as soya sauce, miso (fermented soya-bean curd) and pickles. A safe salt-substitute, potassium chloride, is available in supermarkets, but is not widely used. Does it taste different?

Middle-aged ladies taking part in slimming exercises at a health and beauty farm in Tokyo

"I think so," Dr Kotsake replies, hesitantly. Does he use it himself? "No."

Mrs Ehara does not demand total sacrifice, but she urges her students to try to keep daily salt consumption below the target of 10g; current usage is estimated at 14g. She warns how quickly the numbers add up – "I'm not saying pickles are bad, but if you eat only one every day, that is 30g of salt in a month."

Among her suggestions to reduce consumption are to use only one-third the amount of soya sauce, diluting it with lemon juice, and to halve the amount of miso used in soup, a mainstay of many Japanese meals, and to add more vegetables. Each woman's lunch at the Ebina Centre, including prawn-and-crab dumplings and rice with red salmon and pickled cherry blossoms as well as the pumpkin and salad, contained less than 3g of salt. Moreover, to prevent "over-nutrition," increasingly a scourge in Japan as it is in other industrialised countries, the sample daily menu totalled less than 2,000 calories.

Some of the older women in the class admit, however, the food would have been more appetising had it been more salty. A younger one says: "What am I to do? My mother-in-law and father-in-law tend to put too much salt in food."

Mrs Ehara concedes: "It's very difficult to break old habits. We are entrusted by the government to promote low salt intake among youngsters."

Like the other volunteers, Mrs Ehara took a two-year course at a public health centre before joining the programme. She has been teaching better nutrition for 23 years – "I cannot buy this kind of experience with money. I love cooking. I don't get bored by cooking every day all day long." And for much of the night apparently – in addition to giving lessons every day and cooking for her family, Mrs Ehara owns a restaurant where she cooks every night until midnight.

Nutrition is one of three prongs to the government's plan to promote health maintenance and disease prevention. The others are exercise, for which the Health Ministry this year hopes to issue outline standards, and rest – an issue which is tied up with the thorny problem of reducing the working week.

Like its counterparts in other countries, the Health Ministry hopes prevention will prove less expensive than cure. Japan spent Y20,000bn on health care in the year to March 1990, of which the elderly accounted for 27.6 per cent. More than a quarter came from a special fund set up in 1983 to help communities provide care for the population over 65.

Dr Kotsake says the government's main immediate priority for the elderly is to introduce more intermediate care facilities to avoid prolonged stays in hospital which are both medically unnecessary and expensive for the system.

The Japanese obsession with health has been reflected in the surge of interest in "functional foods," versions of everyday products which claim to have beneficial physiological effects. The most popular are yoghurts containing bifidus bacteria, which is said to promote healthy digestion; soft drinks containing iron; soluble fibre or special forms of sugar.

But while this has been a goldmine for innovative food manufacturers and has sparked predictions of a Y1,000bn domestic market, the Health Ministry is moving at glacial speed on proposals that it sanction some of the claims. Dr Kotsake held out little chance of this changing in a hurry.

Another issue of increasing concern is tobacco use. More Japanese men smoke cigarettes than anywhere else in the developed world, although the proportion has fallen to 61 per cent from 80 per cent in the early 1960s. Dr Kotsake's open-plan office at the health ministry is a 'no smoking' area – by consensus rather than rule, and this is becoming more common.

Clay Harris

There is a big surge in overseas travel, reports **Roy Garner**

A yearning for faraway places

THE JAPANESE are on the move as never before.

A survey by the Japan Travel Bureau showed that during 1989 the number of people taking an excursion of at least one night's duration totalled 320m, equivalent to 2.55 trips per person per year.

The boom in overseas travel is especially pronounced. In 1987, the Transport Ministry announced its "Ten Million Project", which aimed to double the number of Japanese travellers going overseas within five years. That goal, according to the Ministry, will already have been achieved, two years early, by autumn 1990, and the overseas tourist total could reach a staggering 11m by year's end.

Japan's tourism deficit meanwhile has surpassed that of West Germany, to become the world's largest. The deficit, calculated by subtracting foreign traveller's payments in Japan from Japanese tourists' spending overseas, grew to $19.33bn in 1989.

Mr Toshinobu Ikubo, promotion department manager of the Japan National Tourist Office, says the reasons for the tourism boom are easy to identify. In addition to Japan's continuing economic prosperity, government programmes aimed at reducing working hours have encouraged a change in attitudes towards leisure time – "it's getting easier for us to take holidays now that the five-day week is becoming more established, and almost all students now go abroad before graduation. In fact, it's difficult to find a young person who has never been abroad," he says

The enthusiasm for foreign travel among the Japanese is especially well illustrated by the holiday plans of newly-weds. The JNTO estimates that this year at least 95 per cent of all Japanese newly-weds will spend their honeymoons overseas.

For many, however, this particular experience will be disastrous, ending in what has become popularly known as a "Narita divorce". The term refers to a marriage break-up occuring at Tokyo's International Airport. This common phenomenon is ascribed to the fact that young Japanese

Frustrations abound at Tokyo International Airport

women generally have more opportunity to become familiar with overseas travel than young 'salariman' males – within the 20-24 age group female overseas travellers outnumber males by almost 2 to 1.

On the honeymoon, the women become irritated at their partner's naivety and indecision, arguments ensue, and the couple separate upon arriving back in Japan.

According to a mid-1989 survey by Japan Air Lines, the most popular overseas destination for the Japanese continues to be Hawaii, followed by Europe and Hong Kong.

The survey found that each overseas traveller spent an average of 563,000 yen per trip, which included 298,000 yen for transport and basic hotel accomodation costs, and the percentage of 'repeaters' – those who have travelled abroad two or more times – rose significantly to almost 30 per cent of all Japanese.

A change in the type of holiday sought was also noted, with single-location stays at resorts becoming more popular than the multi-destination excursions which most people opted for in the past.

The most 'fashionable' new destination is currently Eastern Europe, according to the Japan Travel Bureau, with many Japanese wishing to see for themselves the exciting changes toward democratisation that have featured so highly on recent television news.

The most highly treasured souvenirs are items from the Soviet Union, preferably bearing the image of Mikhail Gorbachev. The only constraint on this market sector appears to be the uneven quality of the local tourism infrastructure, particularly hotel accommodation.

As tourist departures increase, Japan is faced with a problem of crisis proportions at its airports, and especially at the ill-conceived and grossly over-burdened New Tokyo International airport at Narita.

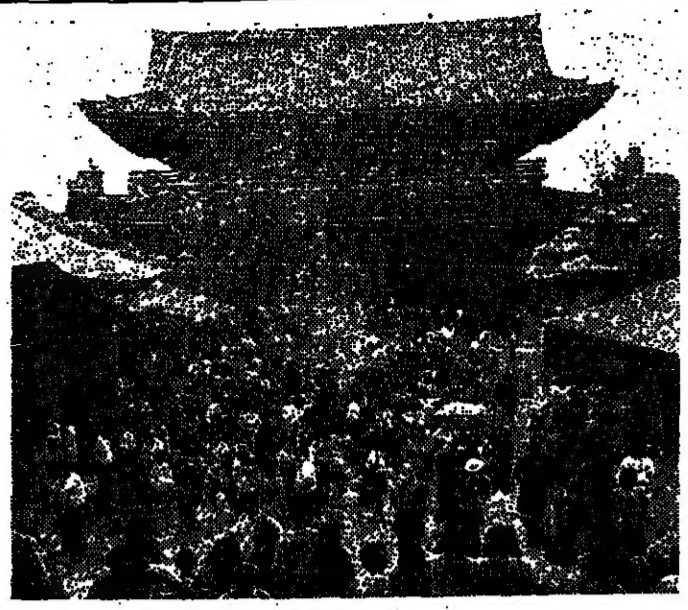
With its remote location and inadequate transportation facilities, travellers to neighbouring Asian countries routinely find the return journey from Narita into Tokyo takes longer than the flying time to Japan itself, and tempers often flare among passengers in the overcrowded terminal building.

Having only one overstretched runway, Narita also now limits the expansion of overseas air services. Japan Air Lines spokesman, Geoffrey Tudor describes the inadequate facilities as "a tremendous constraint on the whole market" and adds that although some foreign airlines are keen to utilise smaller regional airports as alternative Japan gateways, major airlines such as JAL, with "huge outlays already at Narita and Osaka" balk at the prospect of making further costly infrastructure investments elsewhere.

Ocean cruising is one of the fastest-growing new alternatives to the airport scramble. Several new passenger liners went into service during 1989, including the 20,000-ton class Fuji Maru of Mitsui I.S.K. Lines and the Oceanic Grace of Showa Line.

Micronesia, Guam and Saipan are considered to be the most likely future bases for these cruise ships, offering Japanese tourists trips of four or five days in the region.

Mr Ikubo maintains that Japan, despite its pricey reputation, can be seen relatively inexpensively – "hotel rates compare very favourably with London or New York ... there is choice, and accommodation is clean and safe. The Japan Rail Pass offers a cheap way to travel around, and cheap restaurants abound. We are trying to persuade foreign tourists that Japan is really not all *that* expensive."



Crowds of visitors throng the Hozoman Gate area at the *Sensoji Temple, Asakusa, Tokyo.*

The Imperial Family

Court life can be difficult

PRINCE TOMOHITO of Mikasa, a first cousin of the Emperor, has spent his life trying to reconcile an exuberant personality with an Imperial title. It hasn't been easy.

"I've had my share of battles with the Imperial Household Agency," said the 44-year-old prince with a smile, during an interview at his home in the grounds of the Akasaka Palace in Tokyo. The prince receives visitors in a Western-style stateroom complete with chandeliers and a grand piano.

He sports a moustache and a goatee beard, and wears a grey suit; he speaks English, having studied for two years at Oxford, but prefers to use Japanese to avoid "making mistakes answering difficult questions."

Prince Tomohito once found the restraints of court life so hard to bear that he threatened to resign his title. Since then he has learnt that the disadvantages of his position are matched by considerable advantages. He laughs and says: "If I didn't like the system, I could leave Japan."

Members of the Japanese Imperial family rarely break free of the conventions which envelop them. Prince Aya, whose wedding was held a few days ago, had to argue even for permission to get married ahead of his elder brother, the Crown Prince. For the Emperor's second son to get married before his first was thought to be a break with the natural order.

The Japanese Constitution forbids the Emperor's relatives from becoming involved in either politics or business and the Imperial Household Agency exists to make sure the constitution is obeyed.

There is also over 1,000 years of tradition to contend with. Japanese imperial princes and princesses are not meant to be celebrities in the manner of Britain's Prince Charles and Princess Diana. They are supposed to avoid any hint of the kind of public controversy which Prince Charles often courts.

Dignity is the quality which seems to be most highly valued. Imperial family members are groomed from childhood to be well-mannered patrons of the arts and science and of good causes.

Prince Tomohito's interests are conventional enough for a royal: he promotes the welfare of the disabled, international relations with foreign countries, including the UK, and

Emperor Akihito and Empress Michiko

sport, especially skiing. Most Imperial family members list a similar range of activities. But the energy Prince Tomohito pours into his life sets him apart from other Imperial princes – "I am different," says Prince Tomohito, "I like hands-on leadership."

The prince says he never breaks the rules about involvement in politics, yet he cheerfully describes how he sails perilously close to the wind. For example, he says, a few years ago he persuaded members of the Diet (Parliament) to amend the law to allow greater freedom for disabled people to establish community homes.

"I negotiated with the Ministry of Health and Welfare, with the prefectural governments and with politicians .. I don't go to the Diet, but I can push and pull people."

On another occasion, Prince Tomohito attempted to persuade the Japanese Government to help refugees from Indo-China. But there was tremendous resistance, he says, so he had to back down.

Years later, government policy changed and the prince sent a message of support to a voluntary group established to aid refugees from south east Asia.

"This is a political problem so I can't immerse myself in refugee work as much as I can in welfare work for the disabled."

The prince's style also leads to clashes with the Imperial Household Agency. He says the agency's idea of a public engagement is having a member of the imperial family make a brief appearance, deliver a speech written by the organisers and then withdraw.

Prince Tomohito wants to do more. He devotes much time to skiing, particularly as a skiingstructor for both able-bodied and handicapped skiers and as a designer of courses.

When he started he was one of the first Japanese to become an expert in course-design, bringing ideas to Japan from North America and Europe.

Prince Tomohito of Mikasa

Prince Tomohito says he makes it a point to accept all invitations, as long as he has the time.

"I don't limit myself to official events. I will go the smallest event organised by a small group," he says.

A teenagers' club in Tochigi prefecture, a mountainous district north of Tokyo, once asked him to come on a hike. He accepted the invitation to the consternation of the local mayor and police. But everything went well, he says – "we hiked in the mountains to a rundown cottage. The mayor came too."

In areas which are politically sensitive, the Prince, like other members of the Imperial family including Emperor Akihito, treads very carefully. But, like the Emperor, he leaves little doubt that his sympathies lie with improving relations, particularly with Japan's former enemies.

Prince Tomohito shares his family's great respect for Emperor Hirohito, who died last year. Most of the present-day family was born too late to remember anything of the war. Their memories of Emperor Hirohito are of the man who broke with the tradition and travelled extensively around his war-torn country in the 1950s and 1960s to rebuild morale.

He was the first emperor to go overseas. With his studies of marine life, he established an international reputation as a scientist. Yet to the end he maintained the cults of the Imperial court, including the ceremonies of Shinto – "in every sense, Emperor Showa (the Japanese name for Hirohito after his death) has created the image of the Emperor in modern times," says Prince Tomohito. For these reasons, he thinks the style of the court may not change greatly under the new Emperor.

The prince believes that the imperial family's role has always been to be a bastion of stability – "the Imperial family has had a passive existence in Japanese history. We have existed in every form of political system and every kind of government," says the prince in a reference that even in pre-modern times power lay outside the court, usually in the hands of the Shogun, the dominant feudal lord.

"We simply accepted all things as they came. Since the war, we have existed in a democratic society."

Stefan Wagstyl